

LINKAGE DIPLOMACY AND  
BILATERAL ECONOMIC INTERDEPENDENCE:  
THE APPROACHES OF NEW ZEALAND  
AND AUSTRALIA TO FISHERIES  
ACCESS NEGOTIATIONS WITH JAPAN

by

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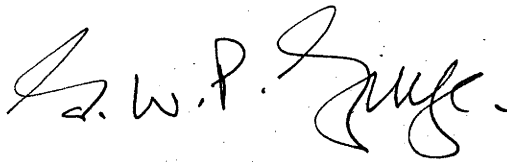
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January 1981.



S T A T E M E N T

I certify that this thesis is entirely  
the result of my own independent  
research.

A handwritten signature in cursive script, appearing to read 'G.W.P. George'.

(G.W.P. George)

GODFREY WILLIAM PADDOCK GEORGE



To Richard and Nicholas

## A B S T R A C T

This thesis is an exercise in International Relations, and examines the subject of linkage diplomacy under conditions of bilateral economic interdependence. Emphasis is given to identifying the conditions under which different States will try to manipulate their interdependent relationships with other States by adopting linkage strategies - that is, by using their bargaining leverage in one economic area to obtain trade-offs in separate economic (or political) issue areas.

It is argued in the Introduction that the adoption of linkage diplomacy may not fully or adequately be explained in terms of the 'sensitivity' or 'vulnerability' dimensions of interdependent relations. There is, it is suggested, another aspect of interdependence (generally neglected in the literature) which might help to explain why States adopt, or reject, trade-off strategies - namely, the *complexity* of interstate relations. The thesis embraces as its working hypothesis: the propensity for States to adopt linkage strategies involving trade-offs across issue areas is inversely related to the level of interdependence - where interdependence is measured in terms of the number and variety of issue areas and actors significantly involved in the relationship.

This argument is developed further in Part I; where also some of the terms employed in the working hypothesis are defined, and an analytical framework designed to test the hypothesis in the context of different case studies is presented.

Then follows the major body of the thesis. It was decided to apply the analytical framework to the study of two different coastal fishing states - New Zealand and Australia - which have recently established 200-nautical mile fishing (or exclusive economic) zones. Attention is focussed on the ways in which these two countries chose to exercise their increased bargaining leverage over foreign fishing access. It is asked whether either Wellington or Canberra decided to use this leverage to extract concessions in other (that is, non-fisheries) issue areas in their fisheries access negotiations with Japan. Most importantly, it is determined how their decisions in this regard were influenced by the complexity of their respective bilateral economic relations with Japan. Further, the case studies examine the outcomes of the New Zealand-Japan and Australia-Japan fisheries negotiations, and assess the degree to which the trade-off

strategies - if adopted - were successful.

This section of the thesis is divided into three parts. Part II treats with the Global Fisheries Environment, and examines: the structure of the global fishing industry on the eve of the era of 200-mile fishing zones; recent changes in the Law of the Sea; and Japan's sensitivity and likely vulnerability to these changes. The New Zealand case study is presented in Part III, and the Australian study in Part IV.

The concluding chapter assesses what the two case studies reveal about linkage diplomacy under conditions of bilateral economic interdependence. This chapter explores: conceivable alternative explanations for the adoption of linkage diplomacy; possible limitations of (or necessary qualifications to) the working hypothesis; and suggested further areas for study in this field. Finally, the practical implications of linkage diplomacy for the future development and structure of the global, and more specifically the New Zealand and Australian, fishing industries are assessed.

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## ABBREVIATIONS

The following abbreviations appear in the text:

AFC	- Australian Fisheries Council
AFIC	- Australian Fishing Industry Council
AFZ	- Australian Fishing Zone
AFZC	- Australian Fishing Zone Committee
CCRJ	- Consultative Committee on Relations with Japan
CSIRO	- Commonwealth Scientific and Industrial Research Organisation
DPI	- Department of Primary Industry
DWFS	- distant-water fishing state(s)
EEZ	- Exclusive Economic Zone
EEZPG	- Exclusive Economic Zone Planning Group
FAO	- Food and Agricultural Organisation
FIB	- Fishing Industry Board
FRD	- Fisheries Research Division
GATT	- General Agreement on Tariffs and Trade
GRT	- gross registered tonnage
HMS	- highly migratory species
ICNT	- Informal Composite Negotiating Text
JICA	- Japan International Cooperation Agency
JNZBA	- Japan/New Zealand Businessmen's Association
JV	- joint venture
LDC	- less developed countries
LDP	- Liberal Democratic Party
LIPC	- Livestock Industry Promotion Corporation (Council)
LOS	- Law of the Sea
MAF	- Ministry of Agriculture and Fisheries
MFN	- most favoured nation
MNC	- multinational corporation
MSY	- maximum sustainable yield
MT	- metric tonnes
MTN	- Multilateral Trade Negotiations
NCP	- National Country Party
OAPEC	- Organisation of Arab Petroleum Exporting Countries
OECD	- Organisation for Economic Cooperation and Development
OFCE	- Overseas Fishery Cooperative Foundation

OPEC	- Organisation of Petroleum Exporting Countries
PBEC	- Pacific Basin Economic Council
RAAF	- Royal Australian Air Force
RAN	- Royal Australian Navy
RNZAF	- Royal New Zealand Air Force
RNZN	- Royal New Zealand Navy
SAFCOL	- South Australian Fishermen's Cooperative Ltd.
SMP	- skimmilk powder
TAC	- total allowable catch
UNCLOS	- United Nations Conference on the Law of the Sea



### A NOTE ON INTERVIEWS

During the research for this thesis, a large number of people in New Zealand, Australia, Japan and elsewhere were interviewed. The majority of the interviewees were public servants who generally preferred the interview material not to be attributed to them by name. Respecting their wishes in this regard, I have - in the body of the thesis - referred only to the department with which the interviewee was associated at the time of the interview. However, so as to give as much information as possible about my sources for others conducting research in this area, I have listed at the end of the thesis the names of most of those interviewed, together with details of the positions they held when interviewed, and the time (in terms of the month and year) of the interview. This formula was chosen in preference to a confidential appendix. It should also be noted that where a particularly important, or controversial, piece of information was received in the course of one of these interviews every effort was made to check the accuracy of this information in other interviews or, where possible, with published material.

## PREFACE

The origins of this thesis can be traced back at least ten years.

In 1971, as part of the requirements for an Honours degree in Geography at Victoria University, Wellington, I wrote a dissertation on The Importation of Japanese Oil through the Malacca Strait. This exercise revealed that the choice of Japan's oil supply routes was influenced as much by international political factors as by constraints of the physical environment.

The significance of the political dimensions of the trade in natural resources was further impressed on the author during a period of study as a Foreign Research Fellow in the Geography Department, the University of Tokyo, from early 1973 to late 1974. I was at that time working on the geography of Japan's oil supplies. Mid-way through these studies it was my good luck (from the research perspective) and Japan's ill fortune that the Fourth Arab-Israeli War broke out. The Arab oil-exporters' choice of Japan as a prime target for their 'oil diplomacy', and subsequent American pressures on Tokyo to join the International Energy Agency, revealed the international political constraints within which Japan had, as a major oil-importing nation, to formulate its energy policies. (These issues provided the focii of a paper by the author - *Japan's Oil Import Policies in the Age of 'Multipolar Diplomacy'* - published under the auspices of the Australia-Japan Economic Relations Research Project, the Australian National University, April 1975.)

My interest in the politics of the trade in resources developed further in 1975-76 during a course of studies leading to an MA degree in International Relations at the Australian National University, when I wrote a dissertation on The International Politics of Offshore Oil Claims in East Asia: With Special Reference to China. The focus of my research had now shifted from the study of problems experienced by resource-importing nations to that of the political constraints operating on, and the potential bargaining leverage available to, the owners of natural resources. This project also introduced me to the complex, but fascinating, subject of the Law of the Sea.

When, in mid-1976, I was awarded a Ph.D scholarship at the Centre for Resource and Environmental Studies, the Australian National University, it was suggested by an academic colleague that I might study the subject of marine resource ownership and development in the South Pacific. There were several reasons why I was attracted to this

topic. First, very broadly, it would permit me to continue my studies in resource politics. Second, more specifically, it would be a natural extension of my MA research, involving both the study of resource-owning countries and Law of the Sea issues. Third, the subject was a topical one, for many States - including those in the South Pacific - were then contemplating establishing 200-nautical mile fishing (or exclusive economic) zones. Fourth, while the focus of my study would be on various States in the South Pacific which were shortly due to establish such zones, the thesis would also allow me to pursue my interest in Japan - the major foreign fishing nation active in this part of the world. Finally, I had a strong personal interest in the subject of fisheries management in the South Pacific. During my 13-year career in the Merchant Navy (which preceded my academic career) I had, on several occasions, worked as a commercial fisherman in New Zealand waters.

Shortly before taking up my scholarship in August 1976, I visited New Zealand where the Prime Minister (R.D. Muldoon) had recently made some interesting comments on the subject of foreign fishing access. He had then hinted that if Japanese fishermen wanted access to New Zealand's proposed 200-mile zone, the Japanese Government would have to consider giving New Zealand's farmers increased access for their agricultural exports onto the Japanese market. Muldoon's statements in this area suggested the conceptual framework for my thesis. I decided to examine how New Zealand, and other countries in the South Pacific, intended to use their bargaining leverage over foreign access to their extended fishing zones - whether to promote the interests of the domestic fishing industry, or to seek concessions from the foreign fishing States in other (that is, non-fisheries related) issue areas.

Initially, I intended to include a number of case studies in the thesis - including such coastal fishing states as Papua New Guinea, the Solomons, Fiji and Tonga, as well as New Zealand and Australia. However, following two research trips in the region (one in mid-1977 when I visited New Zealand, Tonga and Western Samoa, and another in mid-1978 when I visited New Zealand, Fiji, New Caledonia, the New Hebrides, the Solomons, Papua New Guinea and Japan) it was obvious that a large number of case studies would make the thesis too unwieldy, and that I would be unable to cover adequately all the relevant issues in each country study. I decided, therefore, to limit my enquiry to the examination of only two coastal fishing states - New

Zealand and Australia. My research in the South Pacific was not, however, a complete waste of effort, for it provided me with fresh insights into the problems experienced by coastal fishing states, and further information on Japan's fisheries strategies in the era of 200-mile zones.

In a sense, this thesis topic represented something of a gamble. In mid-1976, when I commenced my research, New Zealand and Australia were only *contemplating* introducing 200-mile offshore zones. In the event, New Zealand did not establish its zone until April 1978, and Canberra waited until October 1979 before it declared the Australian Fishing Zone. This necessarily entailed a prolongation of my research timetable. It also meant that much of my research was carried out during the most sensitive period of fisheries negotiations conducted respectively by New Zealand and Australia with Japan.

This leads to the point where I wish to acknowledge my debt to all those who have contributed to the completion of the thesis. First, I wish to express my gratitude to the very large number of politicians, bureaucrats, commercial fishermen, farmers' representatives, academics, and others in New Zealand, Australia, Japan and elsewhere who granted me interviews. In particular, I thank those government officials - most, but not all, of whom appear in the List of Persons Interviewed at the end of the thesis - who trusted me with politically sensitive information. I hope I have in no way betrayed this trust.

Next, I wish to thank my academic supervisors. Most importantly, I express my gratitude to Professor Stuart Harris of the Centre for Resource and Environmental Studies, whose broad knowledge of the international trade in natural resources and of the machinery of government in Canberra, was of particular assistance in the Australian case study. Moreover, he frequently interrupted his busy work schedule to discuss these issues with me. I also wish to thank Professor J.D.B. Miller of the International Relations Department, Research School of Pacific Studies, the Australian National University, and Professor J.E. Richardson of the Political Science Department, School of General Studies, the Australian National University, for their comments on the theoretical dimensions of the thesis.

Professor Iwao Kobori of the Geography Department, the University of Tokyo, also deserves a special word of thanks. During my research trip to Japan in late 1978 he arranged for me a number of interviews with Japanese Government officials involved in fisheries matters.

I also express my gratitude to the Australian Academy of Science which allowed me to participate in the Science and Industry Forum Meeting of 23-24 September 1977. The discussions at this Forum, and the task given me of editing the papers there presented (which appeared in *Australia's Offshore Resources: Implications of the 200 Mile Zone*, Forum Report No.11, Canberra, 1978), provided me with a greater appreciation of the potential problems associated with management of the proposed Australian Fishing Zone.

Finally, I wish to thank Margaret Turner who dedicated long and tedious hours to typing this thesis.

G.W.P. George  
January, 1981.

## INTRODUCTION

'It has become a platitude to say that the whole world is interdependent.... Yet what a tremendous platitude it is!... If this platitude is unalterably true, its implications must profoundly affect the conditions of human life for the future; it must transform all our thinking about social organisation; it must modify all our programmes and policies. Clearly we ought to be thinking seriously about it, and asking ourselves what it involves.'<sup>1</sup>.

What Muir had to say almost half a century ago applies at least equally today. But, despite a large and growing literature on the subject of interdependence, analysts are still not agreed upon its consequences. This confusion is particularly evident with respect to the implications of economic interdependence for national foreign economic policies. The literature fails, for example, to identify clearly the conditions under which different States will try to manipulate their interdependent relationships with other States by adopting linkage strategies - that is, by using their bargaining leverage in one economic area to obtain trade-offs in separate (economic or political) issue areas.<sup>2</sup> It is this subject - linkage diplomacy in conditions of economic interdependence - that the following thesis addresses.

Most analyses of economic interdependence have adopted a systems approach, examining the phenomenon at the global or regional level. These studies have generally focussed on one, or more, of three major problem areas: defining the term 'interdependence'; determining whether interdependence has increased or decreased over time; and assessing the degree to which interdependence promotes systemic instability through the generation of international economic crises.

It can be argued that much of the confusion surrounding the likely consequences of interdependence may be attributed to the wide

1. From R. Muir *The Interdependent World and Its Problems*, Houghton Mifflin, Boston, 1933, quoted in Andrew M. Scott 'The Logic of International Interaction' *International Studies Quarterly*, Vol.21, No.3, September, 1977, p.429.

2. Definitions of some of the terms employed here - including 'trade-offs' and 'issues' - appear in the analytical framework, Part I of the thesis.

range of definitions of the term.<sup>1.</sup> It is not our purpose here to give full and detailed descriptions of *all* these definitions, but to outline some of those most commonly employed in the literature.

Some writers<sup>2.</sup> have tended to equate interdependence with the *volume of transactions* between societies - usually measured in terms of flows of money, goods, people, and messages across international boundaries. The greater the magnitude of these transactions (absolutely or in comparison to the domestic sector) the higher the level of presumed interdependence.

The limitations of this approach have been noted by a number of analysts. Cooper, for example, argues that volumes of transactions may not necessarily indicate the extent to which units are affected by events occurring outside. He stresses it is more enlightening to define economic interdependence in terms of 'the *sensitivity* of economic transactions between two or more nations to economic developments within those nations.'<sup>3.</sup> Cooper goes on to argue

'this approach means that two countries with much mutual trade would still experience a low degree of interdependence if the value of trade were not sensitive to price and income developments in the two countries; on the other hand, two countries would be highly interdependent if their transactions were greatly sensitive to economic developments, even if their mutual trade were initially at a low level.'<sup>4.</sup>

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1. This problem is widely recognised: see for example, R. Rosecrance, A. Alexandroff, W. Koehler, J. Kroll, S. Laquer, and J. Stocker 'Whither Interdependence?' *International Organisation*, Vol.31, No.3, Summer, 1977; and Henry Winthrop 'Planned Global Interdependence as a Foreign Policy Goal: The Problem of Coordinating Trading Relationships' *American Journal of Economics and Sociology*, Vol.37, No.2, April, 1978.

2. Most importantly, Karl W. Deutsch and Alexander Eckstein; see their 'National Industrialisation and the Declining Share of the International Economic Sector, 1890-1959' *World Politics*, XIII, January, 1961.

3. Richard N. Cooper 'Economic Interdependence and Foreign Policy in the Seventies' *World Politics*, Vol.XXIV, October, 1971 - July, 1972, p.159; see also his *The Economics of Interdependence: Economic Policy in the Atlantic Community*, McGraw-Hill Book Company, New York, 1968, particularly Chapter 3.

4. Cooper, 1972, *op.cit.*, p.p.159-160.

Another definition of interdependence has been suggested by Waltz. He argues that the sensitivity concept obscures some of the most important political aspects of interdependence - or, as he prefers to call it, mutual dependence. Waltz is more concerned with the *vulnerability* dimension of interdependent relations, which rests on the relative availability and costliness of different policy alternatives that actors face in trying to adjust to outside change.<sup>1</sup> Unlike sensitivity, which refers to the liability to costly external effects before any counter strategies have been devised, vulnerability refers to the continued liability to costly effects even after attempts have been made to improve the situation.

Keohane and Nye are less concerned with the flow of transactions, sensitivity or vulnerability, and define interdependence in terms of the behavioural attributes in bargaining. In *Power and Interdependence*<sup>2</sup> they refer to 'complex interdependence', which is characterised by: multiple channels of diplomatic interaction, by all types of actors; the absence of hierarchy on issues (namely, security issues do not dominate the global or bilateral agenda, and many issues arise from domestic sources); and the irrelevance of military force in determining the outcomes of bargaining and conflicts.

However, none of these analysts - nor others concerned with defining interdependence<sup>3</sup> - appears to have considered defining or measuring interdependence in terms of the number of issues and actors involved in interstate relations. Even Keohane and Nye, who speak of the multiple channels connecting societies in complex interdependence, are interested more in the *types* of channels - interstate, transgovernmental, and transnational - rather than the number of channels *per se*. The significance of this aspect of interdependence - namely, the numbers of issues and actors - will be examined in detail later.

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1. See Kenneth N. Waltz 'The Myth of National Interdependence' in Charles P. Kindleberger (ed.), *The International Corporation: A Symposium*, M.I.T. Press, Cambridge, Mass., 1970.

2. Robert O. Keohane and Joseph S. Nye, Jr., *Power and Interdependence: World Politics in Transition*, Little Brown and Company, Boston, 1977.

3. See, for example, Edward L. Morse 'Crisis Diplomacy, Interdependence, and the Politics of International Economic Relations' *World Politics*, Vol. XXIV, Spring Supplement, 1972; and Oran R. Young 'Interdependencies in World Politics' *International Journal*, Vol. 24, No. 4, Autumn, 1969.



The second point of focus in the literature has been on long-term changes in international interdependence. Deutsch, Eckstein and Waltz<sup>1</sup> have argued that interdependence between the industrial countries - as measured by the ratio of intersocietal transactions to internal transactions - has declined during the twentieth century. On the other hand Morse, Cooper, Rosecrance and Stein, and Katzenstein, have presented data to demonstrate that interdependence has grown dramatically;<sup>2</sup> while a recent study by Rosecrance and his associates<sup>3</sup> suggests that interdependence has, in fact, followed a cyclical path over this period.

Of greatest relevance to the present study, is what these analysts have to say about the consequences of interdependence. Earlier treatments of the subject (back in the 1960s and very early 1970s) suggested that interdependence is a condition believed likely to improve man's chances to live in peace and plenty. Brown, for example, argues that the more numerous and complex the links between States, the greater the likelihood for peace, good will, and a new international social ethic of cooperation.<sup>4</sup>

In the early/mid 1970s, however, concern about 'resources diplomacy' and the 'threat from the Third World' following the 1973 Oil Crisis, led to a reappraisal of the implications of interdependence. Many analysts now argue that high levels of interdependence in the international system provokes crises among States. Scott alleges that as the amount of interaction increases so does the number of system problems. The international system, he argues, is moving into 'an entropic or disorder crisis.'<sup>5</sup> Morse notes how interdependence not only breeds

1. Karl W. Deutsch and Alexander Eckstein 1961, *op.cit.*, Kenneth N. Waltz *op.cit.*, and Karl W. Deutsch *et.al.*, *France, Germany and the Western Alliance: A Study of Elite Attitudes on European Integration and World Politics*, Charles Scribner's Sons, New York, 1967.

2. Edward L. Morse, 'Transnational Economic Processes' *International Organisation*, Vol.25, Summer, 1971; Richard N. Cooper, 1968, *op.cit.*; Richard Rosecrance and Arthur Stein 'Interdependence: Myth or Reality?' *World Politics*, Vol.26, October, 1973; and Peter J. Katzenstein 'International Interdependence: Some Long-term Trends and Recent Changes' *International Organisation*, Vol.29, No.4, Autumn, 1975.

3. Richard Rosecrance *et al.*, 1977, *op.cit.*

4. See Lester R. Brown *World without Borders*, Vintage Books, New York, 1972, especially Chapter 10 'The Growing Economic Interdependence of Nations' p.p.183-208.

5. Andrew M. Scott, *op.cit.*, p.429.

crises, but also increases the potential for

'...any single party to manipulate a crisis for its own domestic or foreign political ends. With the increased number of crises in areas of systemic interdependence and the growing interrelatedness of issue areas... negotiations normally will involve a wide range of issues for the development of possible trade-offs among governments in their attempts to reach decisions or consensus. At the same time, possibilities for political "blackmail" are also enhanced with the growth in the links between different issues and stakes.'<sup>1</sup>.

Bergsten and his colleagues have also suggested that complex linkages and trade-offs between issues are likely to become particularly pronounced under conditions of high interdependence.<sup>2</sup> (These authors do not here specify how they measure interdependence, but they do speak in terms of the 'complexity and closeness' of interstate relations.) Further, it has been noted how governments - particularly those in the Western industrialised states - face the difficult task of satisfying the growing demands of a highly politicised citizenry at a time when their (the governments') ability to achieve domestic social and international goals has been reduced by increased vulnerability to outside pressures following the removal of trade, and other, barriers to international economic exchange.

A number of other observers are uncertain about the consequences of international interdependence. Haas claims

' While neither cooperation nor conflict is uniquely predicted by high interdependence, systems change is.... It is not true that interdependence means equality among nations. But the kinds of systems change associated with rising interdependence do imply a tendency toward strengthening weaker actors against strong states as the web of relationships increases perceived sensitivities, vulnerabilities and opportunity costs for the stronger.'<sup>3</sup>.

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1. Edward L. Morse *Modernisation and the Transformation of International Relations*, The Free Press, New York, 1976, p.130.

2. C. Fred Bergsten, Robert O. Keohane, and Joseph S. Nye Jr., 'International Economics and International Politics: A Framework for Analysis' *International Organisation*, Vol.29, No.1, Winter, 1975, particularly p.p.9-10. For other comments on the ways in which high levels of economic interdependence increase the likelihood of international crises see Richard N. Cooper 1972 *op.cit.*, and his 'Trade Policy Is Foreign Policy' *Foreign Policy*, No.9, Winter, 1972-73; and Gregory Schmid 'Interdependence Has Its Limits' *Foreign Policy*, No.21, Winter, 1975-76.

3. Ernest B. Haas 'Is There a Hole in the Whole? Knowledge, Technology Interdependence and the Construction of International Regimes,' *International Organisation*, Vol.29, No.3, Summer, 1975, p.860.

Keohane and Nye are similarly cautious in predicting the consequences of interdependence. The authors of *Power and Interdependence* do not suggest that international conflict disappears when interdependence prevails; on the contrary, they believe that conflict will 'take new forms, and *may* even increase'.<sup>1</sup> They also warn of the difficulty of predicting outcomes, because measurable power resources - in terms of asymmetrical interdependence, or vulnerabilities - are not automatically translated into effective power over outcomes. 'Translation occurs by way of a political bargaining process in which skill, commitment, and coherence can... belie predictions based on the distribution of power resources.'<sup>2</sup>

*Power and Interdependence* reveals the limitations of an approach to the study of interdependence where the level of analysis is the world system. Holsti has noted how the systems perspective attributes certain characteristics equally throughout the system, precluding statements about specific situations. He correctly observes that this approach tells us little about how variations in interdependence between *specific pairs of States* affect bargaining between those particular States.<sup>3</sup> Keohane and Nye admit that their models do not provide the basis for a complete study of the politics of interdependence. They note that, in common with other systems approaches, their work fails to explain adequately the policies of particular States. These two authors suggest that, to analyse national policies under conditions of complex interdependence, one should examine both how external constraints limit the range of choice available to the government concerned, and how the domestic structure and political processes condition the responses that are chosen.<sup>4</sup>

It is argued here, therefore, that a systems approach provides an incomplete explanation of foreign economic policy formulation and implementation - including the necessary conditions surrounding the adoption, and successful use, of linkage strategies in situations of

1. Robert O. Keohane and Joseph S. Nye Jr., 1977, *op.cit.*, p.8.  
My italics.

2. *Ibid.*, p.225.

3. Kal J. Holsti 'A New International Politics? Diplomacy in Complex Interdependence' *International Organisation*, Vol.32, No.2, Spring, 1978.

4. Robert O. Keohane and Joseph S. Nye Jr., 1977, *op.cit.*, p.p.223-224. See also their 'Interdependence and Integration' in Fred I. Greenstein and Nelson W. Polsby (eds.) *Handbook of Political Science: Vol.8 International Politics*, Addison-Wesley Publishing Company, Reading, Mass., 1975.

bilateral economic interdependence. What is needed is an approach which focusses on the interplay between external constraints and domestic politics in the context of different case studies. But the student is unlikely to receive much guidance in this area from the existing literature. Nowhere, to the present author's knowledge, do interdependency analysts employ an analytical framework which systematically considers both exogenous *and* endogenous constraints on national foreign economic policies.

Katzenstein is one theorist who has tried to explain foreign economic policy by systematically including domestic factors in his analysis. In 1976 he noted that recent writings on problems of the international economy had focussed attention primarily on changes in the international system. Criticising this emphasis, Katzenstein observed that 'The consistency and the content of foreign economic policies result as much from the constraints of domestic structures as from the functional logic inherent in international effects.'<sup>1</sup> He continued by arguing that dissimilar policy responses among various advanced industrial states to common external challenges can be explained in terms of the nature of domestic policy networks which link State and society. This theme provided the theoretical base for a book he edited in 1978<sup>2</sup> dealing with the foreign economic policies of the United States, Britain, West Germany, Italy, France and Japan.

Katzenstein's work makes an important contribution to the literature on foreign economic policy analysis. It has, however, several deficiencies. First, it goes too far in explaining national foreign economic policies in terms of domestic forces. Obviously, in some important policy areas - for example, the reaction to the Oil Crisis - varying national sensitivities and vulnerabilities to international forces are at least as important as domestic structures in explaining the different responses of the industrialised States.<sup>3</sup>

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1. Peter J. Katzenstein 'International Relations and Domestic Structures: Foreign Economic Policies of Advanced Industrial States' *International Organisation*, Vol.30, No.1, Winter, 1976, p.2.

2. See Peter J. Katzenstein (ed.) *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, The University of Wisconsin Press, Wisconsin, 1978.

3. T.J. Pempel's essay 'Japanese Foreign Economic Policy: The Domestic Bases for International Behaviour' (*Between Power and Plenty*, p.p.139-190), for example, may be criticised for giving undue emphasis to the role of domestic forces in the formulation of Japan's foreign economic policies. A large number of works, both Japanese and foreign, give evidence of the importance of external forces in the development of that country's economic strategies - see Saburo Okita 'Natural

Second, its analysis of domestic political processes is too narrow. By focussing on the interaction of private and public bureaucracies, it fails to pay sufficient attention to: intra-bureaucratic politics; mass or class behaviour; or the role of political culture.<sup>1</sup> Third, along with most works on interdependence, it confines its analysis to the advanced industrialised States. Our understanding of the importance of domestic forces in foreign economic policy might benefit from a broader analysis which includes less industrialised First World countries - for example, Canada, Australia and New Zealand - and some of the less developed countries of the Third World.

There exists in the interdependence literature a number of empirical studies focussing on different bilateral and multilateral economic relationships. These studies collectively suggest that both external *and* domestic factors are important in explaining foreign economic policies. The next few paragraphs will examine what some of these studies have to say regarding the likelihood of States adopting linkage strategies in their foreign economic bargaining. The suggested international (non-domestic) constraints affecting the adoption of linkage strategies will be detailed first.

Holsti and Levy observe that the subject of issue area linkage (and its converse, issue area isolation) has not been much studied, but they believe that linkage is most likely to occur between States in which a high level of conflict is characteristic.<sup>2</sup> Further, from their observations of transgovernmental relations between Canada and the United States, they suggest that linkages are unlikely where relations between governments have become routinised and where there is a tradition of easy communication and access directly between the bureaucracies of the two countries.<sup>3</sup> Their work also implies that

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Resources Dependency and Japanese Foreign Policy' *Foreign Affairs*, Vol.52, No.4, July, 1974; Zbigniew Brzezinski *The Fragile Blossom: Crisis and Change in Japan*, Harper and Row, New York, 1972; A.E. Ackermann *Japan's Natural Resources and their Relation to Japan's Economic Future*, University of Chicago Press, Chicago, 1953; Miyoshi Shuichi 'Japan's Resources Policy at a Turning Point' *Japan Quarterly*, Vol.XVIII, No.3, July - September, 1971; Yamamoto Mitzuru "'Resources Diplomacy' Runs Into a Stone Wall' *Japan Quarterly*, Vol.XXII, No.4, Oct. - December, 1975.

1. Katzenstein admits these deficiencies, see *op.cit.*, 1976, p.19; and *op.cit.*, 1978, p.12.

2. One may question whether this is, in fact, the case. The use of the Arab 'oil weapon' in 1973/74 suggests that linkages might just as often take place in relations among 'friendly' states - for example, between the Arab oil exporting nations and Japan.

3. Kal J. Holsti and Thomas Allen Levy 'Bilateral Institutions and

issue linkage is a dangerous and unattractive strategy for the smaller (and more dependent) party in a relationship.

This latter point - the relationship between linkage and asymmetrical dependence - has engaged the attention of Keohane and Nye. In their examination of Canadian-American and Australian-American relations, they note how the stronger party - the United States - has, at various times in the past, linked extraneous issues in order to exert the leverage of its overall preponderance.<sup>1</sup> But it was also recognised that there are times when the stronger party will either not wish, or be unable, to exercise its bargaining leverage. It is noted, for example, how the postwar nonlinkage norm in Canada-American relations may be attributed, in part, to an awareness by both governments that welfare losses would result from a disruption of economic integration.<sup>2</sup> Further, the two authors note that while States might be tempted to draw linkages among issues, such linkages may be unsuccessful. Their 'issue structure' model argues that power resources in one issue area loses some or all of their effectiveness when applied to others.

Most importantly, their studies reveal that sometimes it is the *weaker* party in a relationship that will initiate linkage bargaining. The Canadian-American case study revealed that, although the former was in a more dependent position than the latter, it was able occasionally to play on American sensitivity dependence in certain issues. Its ability to do so is attributed to Canada's will to 'suffer greater pain' than America, which in turn reflects the asymmetrical salience of the relationship - where the relationship was more important to Canada than to the United States.<sup>3</sup>

The empirical studies have also suggested a number of domestic constraints likely to affect the adoption of linkage strategies. Keohane and Nye allege that 'increased politicisation - particularly in the form of greater attention to an issue by high governmental officials - will lead to attempts by one government or the other (or by actors within governments) to link issues to one another.'<sup>4</sup> Following the same theme, Huntington (in his study of economic diplomacy

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Transgovernmental Relations Between Canada and the United States' *International Organisation*, Vol.28, No.4, Autumn, 1974, p.885.

1. See Robert O. Keohane and Joseph S. Nye, Jr., 1977, *op.cit.*, Part III 'Regimes and Two Bilateral Relationships.'

2. *Ibid.*, p.211.

3. *Ibid.*, p.p.203-204.

4. Robert O. Keohane and Joseph S. Nye, Jr., 'Introduction: The

between the United States and the Soviet Union) notes that linkage strategies are less likely in countries which have 'a pervasive ideology that sanctifies the independence, rather than the subordination, of economic power to government.'<sup>1</sup>.

It has already been noted how Katzenstein has stressed the relevance of domestic political structures in the promotion of various foreign economic policies. Morse's brief study of French attempts to manipulate interdependent relationships with other countries appears to support this view. He observes how de Gaulle was able to implement a 'rational strategy' relatively free of domestic pressures, largely because of the existence of the Constitutional framework of the Fifth Republic and the 'reserved powers' of the President.<sup>2</sup>.

A number of authors have drawn attention to the importance of bureaucratic politics in limiting the range of economic strategies. Holsti and Levy's study of Canadian-American relations, for example, argues that the absence of linkages between policy sectors in Canada may be explained in large measure by the reluctance - given their vested interests - of officials in separate government agencies 'to give up something dear to them so that another agency can obtain something dear to it.'<sup>3</sup>. Huntington also speaks of the difficulty of harnessing economic power to foreign policy goals because of 'bureaucratic pluralism and inertia.'<sup>4</sup>.

Many of the studies make reference to the role of private pressure groups in the decision-making process. Keohane and Nye's examination of the Canadian-American relationship and the 'oceans issue' area points to the fact that interdependence has different effects on different domestic groups, and that these groups press multiple concerns on their governments. They further observe that 'by reducing the coherence of national positions, the complexity of actors and issues strongly affects the commitment to and credibility of threatened retaliation' against external threats.<sup>5</sup>.

Collectively, these empirical studies help to explain how linkage strategies are adopted, or rejected, by different States

Complex Politics of Canadian-American Interdependence' *International Organisation*, Vol.28, No.4, Autumn, 1974, p.605.

1. Samuel P. Huntington 'Trade, Technology, and Leverage: Economic Diplomacy' *Foreign Policy*, No.32, Fall, 1978, p.71.

2. See Edward L. Morse, Spring, 1972, *op.cit.*, p.p.140-143.

3. Holsti and Levy, *op.cit.*, p.884.

4. Huntington, *op.cit.*, p.71.

5. Keohane and Nye, 1977, *op.cit.*, p.226.

under conditions of economic interdependence. But separately, each suffers from the fact that it fails to employ an analytical framework which systematically treats with the international and domestic constraints on foreign economic policy formulation. It is argued here, however, that the basis for such a framework already exists in the literature. As a result of their work on Canadian-American relations Keohane and Nye were prompted to argue

' When multiple issues and actors are involved, linkage is often too costly in terms of domestic politics. No group wishes to see its interests traded away. Threats of retaliation on an extraneous issue involve mobilisation of different sets of actors and promote domestic politicization, which bureaucrats fear may get out of control.'<sup>1</sup>.

This observation suggests that there is another aspect of interdependence - very often overlooked in the literature - which deserves greater emphasis. Rather than measure interdependence solely in terms of volume of transactions, mutual sensitivities, or vulnerabilities, it might be worth measuring interdependence *in terms of the number and variety of issue areas and actors involved*. It is argued that such a focus has the advantage of accommodating in our analysis both the international and domestic forces limiting the adoption, and implementation, of different foreign economic policies.

It may be asked whether Keohane and Nye's conclusions from the Canadian-American case study have broader validity. Building upon their argument outlined above, the following working hypothesis has been constructed and adopted in this thesis: *the propensity for States to adopt linkage strategies involving trade-offs across issue areas is inversely related to the level of interdependence - where interdependence is measured in terms of the number and variety of issue areas and actors significantly involved in the relationship*.

The *a priori* reasoning behind the working hypothesis is presented in Part I of the thesis. Part I also provides definitions of some of the terms employed in the working hypothesis, and offers an analytical framework to test the hypothesis in the context of

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1. *Ibid.*, p.214. Other commentators have suggested that linkages (or trade-offs) are less likely when a large number of issues are involved; not so much because of domestic political constraints but because of the technical difficulty of measuring gains and losses across issues in bargaining. See Holsti and Levy, 1974, *op.cit.*, and Scott, 1977, *op.cit.*, p.453.



different case studies involving bilateral economic relationships.

The framework proper is divided into three sections. The first considers the range of issues and actors significantly involved in the relationship. This section also treats with the sensitivity and vulnerability dimensions of each issue area concerned. (It should be emphasised that the sensitivity/vulnerability dimensions of interdependence are essential elements of our analysis, for in the case studies we will wish to determine whether they - rather than interdependence as multiplicity of issues and actors - best explain the adoption or rejection of linkage strategies.) The second section is concerned with policy formulation. Here the attitudes of the different actors towards trade-offs are identified, as are the respective roles and influence of these actors in the decision-making process. Most importantly, this section determines whether a linkage strategy was finally adopted or not. The third section of the framework considers policy implementation. Emphasis will be given to the negotiating process - particularly to the bargain outcome and the reasons for the success (or failure) of linkage diplomacy.

It remains now to introduce the case studies. Several factors influenced our choice. For purposes of comparison we chose to examine at least two different resource-owning countries where each: possesses, and trades in, a similar commodity that might be used in resources bargaining; exports this commodity to the same major importer(s); has approximately the same domestic political structures; is at, or nearly at, the same stage of economic development; but where each differs significantly in terms of the complexity of its total relationship with the same resource-importing country.

The choice of commodity in our analysis was important, for obviously the commodity had to be one which offered scope for use as a bargaining lever. Our knowledge of the OAPEC oil boycott and price increases of 1973/74 suggests that, of the many factors which favour the adoption of a particular resource 'weapon' by an exporting nation, three are especially important: first, the resource is one of considerable importance to the major importing States; second, the global trading environment for the resource in question has recently experienced great changes favouring the resource exporters; and, third, there is a high level of pre-existing

involvement by the government of the exporting country in the resource industry and trade. We might, indeed, have chosen to examine the foreign economic policies of the major oil-exporting countries. (It is argued that very few analyses have comprehensively considered the degree to which conditions of economic - and political - interdependence have inhibited the OPEC members from more aggressively using their oil leverage over the industrial states since 1973/74). Instead, we have elected to study another group of countries and another resource that satisfies the criteria listed above - namely, the coastal fishing states<sup>1</sup> and their marine fish resources.

The global fishing industry has reached an important stage in its development. The recent establishment of 200-nautical mile fishing (or exclusive economic) zones in many parts of the world represents a shift of bargaining power from the distant water fishing states (DWFS) to the coastal fishing states. This power transfer most clearly exists in the coastal states' ability to determine which country, if any, shall have access, and (within certain limits) on what terms, to the fish resources of large areas formerly designated high seas. The significance of this development may be appreciated by the fact that a very large percentage<sup>2</sup> of the world's oceanic fish resources lies in waters less than 200 miles offshore.<sup>3</sup>

When the concept of 200-mile exclusive economic zones was first suggested at the Third United Nations Conference on the Law of the Sea (UNCLOS III) in the early 1970s, it appeared that its proponents were motivated primarily by a desire to protect both their fish resources and the domestic fishing industry from the increasing activities of DWFS. For example, New Zealand and Australia - two countries which had done much to promote this concept at UNCLOS - cited these factors

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1. Detailed descriptions of the terms 'coastal fishing state' (or coastal state, as it is commonly referred to) and 'distant water fishing state' are presented in Part II. It is sufficient, at present, to describe a coastal state as one which is interested primarily in exploiting the fish stocks directly off its own coast. A DWFS is one which typically has large and mobile vessels capable of fishing hundreds or thousands of miles from their home ports.

2. Barbara Johnson and Frank Langdon, for example, put the figure at some 90 percent. See their article 'The Impact of the Law of the Sea Conference Upon the Pacific Ocean: Part I' *Pacific Affairs*, Vol.51, No.1, Spring, 1978, p.20.

3. Throughout this thesis, unless specifically mentioned otherwise, all references to miles refer to nautical miles.

when tabling their influential joint working paper on fisheries at the Seabed Committee meeting in Geneva in mid-1972.<sup>1</sup> But, with the passage of time, it became less certain that the coastal states would use their bargaining leverage over foreign fishing access only to support the interests of their local fishing industries. Referring again to New Zealand and Australia, these two nations were - by the mid-1970s - expressing an interest in using their extended fishing zones (once established) to promote *other* national interests.

It is the substance and fate of New Zealand's and Australia's foreign fishing access policies in the era of 200-mile exclusive economic zones which provides the focus of our two case studies. Special emphasis will be given to the fisheries access agreements concluded respectively by New Zealand and Australia with Japan - the single most important foreign fishing state operating in their waters. It will be determined whether either Wellington or Canberra did, in fact, adopt linkage strategies in their negotiations with Tokyo; that is, did either one try to engage in trade-offs, where fisheries access was offered in exchange for non-fisheries related concessions from the Japanese? The analytical framework will be applied to the two case studies to discover the ways in which each nation's policies were affected by the constraints of the interdependent economic relationship existing with Japan. Most importantly, an assessment will be made of the relative impact of 'interdependence as sensitivity/vulnerability' compared with 'interdependence as multiplicity of issues and actors' on the formulation and implementation of these countries' fisheries access policies.

It will be noticed that there is one part in the first section of the analytical framework - that concerning the global fisheries environment - which applies equally to both case studies. To avoid unnecessary duplication, this area will be given separate treatment in Part II of the thesis. Emphasis will there be placed on: the structure

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1. Document A/AC.138/SC.II/L.11. In commending the paper to members of the Seabed Committee, the New Zealand delegation noted 'We [New Zealand] present the classic case where a small developing fishing industry of increasing value to the local economy confronts potentially overwhelming pressures from the vessels of very distant countries. Like most other coastal countries, we have, as a result, two general concerns in the negotiations that will take place in preparations for and at the the third Law of the Sea Conference. First, we want to ensure that the resources in our general area are not overfished and depleted ... Secondly, the exploitation of such an area should also be controlled in such a way that the local fishing industry is able to expand. The fishing industry of the coastal state should have a preferential position.' Quoted in *New Zealand Foreign Affairs Review*, August, 1972, p.42.

of the global fishing industry on the eve of the era of 200-mile zones; recent developments in the Law of the Sea; and implications of the latter for both the coastal fishing states and the DWFS - with particular emphasis given to the increased sensitivities and vulnerabilities of Japan.

The remaining - and, by far, the larger - part of the framework will be applied separately to each of the case studies: to New Zealand in Part III, and to Australia in Part IV. The final chapter of the thesis draws conclusions from the two case studies.

This thesis claims relevance both in a theoretical and a practical sense. With respect to theory, the thesis attempts to contribute to our understanding of interdependence. By focussing on the domestic - as well as the international - dimensions of economic interdependence in the context of different case studies, the thesis complements the systems approach adopted by most other students of interdependent relations. It may, therefore, assist towards the construction of a general theory of world politics under conditions of international interdependence. It may be pointed out that the analytical framework presented here might be applied to the study of other interdependent relationships - not only those involving economic trade-offs, but also those including political linkages.

In a practical sense, the thesis hopes to demonstrate the complexity and importance of the political dimensions of fisheries management. Traditionally, academic treatments of the subject of fisheries management have generally de-emphasised or ignored the political element, choosing instead to stress the biological and the economic aspects.<sup>1</sup> It is argued that now, in the era of 200-mile

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1. See, for example, Francis T. Christy, Jr., and Anthony Scott *The Commonwealth in Ocean Fisheries: Some Problems of Growth and Economic Allocation*, John Hopkins Press, Baltimore, 1965; Francis T. Christy, Jr., *Alternative Arrangements for Marine Fisheries: An Overview*, Resources For the Future, Inc., Washington, D.C., 1973; J.A. Gulland, *The Management of Marine Fisheries*, Sciencetchnica Ltd., Bristol, 1974; Albert W. Koers, *International Regulation of Marine Fisheries*, Fishing News (Books) Ltd., London, 1973; Frederick W. Bell, *Food From the Sea: The Economics and Politics of Ocean Fisheries*, Westview Press, Boulder, Colorado, 1978 - despite the promising title of the latter work, it can hardly be considered an exhaustive treatment of the political dimensions of fisheries management. There are some exceptions, however. For example, some of the political dimensions of fisheries management at the international level are treated in Barbara Johnson and Frank Langdon 'Two Hundred Mile Zones: The Politics of North Pacific Fisheries' *Pacific Affairs*, Vol.49, No.1, Spring, 1976; and by George Kent in 'Equity in Global Fisheries Management' *Oceans*,

fishing zones, the political problems of fisheries management will become more pressing and must, therefore, deserve greater consideration in advice given to policy makers.

Further, the thesis may help in determining the future structure of the global fishing industry. From it we may obtain some indications as to whether the widespread establishment of 200-mile fishing zones will lead to greater coastal state - and lesser DWFS - involvement in the global harvesting, processing, trading and marketing of fish.

Before proceeding with the analysis, several points need to be stressed. First, while its subject matter is economic interdependence, the thesis is not an exercise in the discipline of Economics. The focus of the inquiry is on the various external and domestic constraints acting on decision-makers when formulating and implementing foreign economic policies - as seen from the perspective of a student of International Relations. Second, the *a priori* reasoning behind the working hypothesis is presented in Part I. A more critical assessment of the hypothesis is reserved for the concluding chapter. Third, at the end of each case study there is a summary. This section does not attempt to relate exhaustively the data presented in the case study to the working hypothesis; again this task is reserved for the concluding chapter where comparisons are made across the case studies. Finally, while this thesis is about bilateral relationships, its major focus is on one party in these relationships - namely, the country which first initiates linkage diplomacy (in the New Zealand/Japan case study, New Zealand; and in the Australia/Japan case study, Australia).<sup>1</sup>

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Vol.10, No.5, September, 1977, and his 'Dominance in Fishing' *Journal of Peace Research*, No.1, Vol.XIII, 1976. But detailed analyses of the domestic political processes involved in the formulation of national fisheries policies and in the negotiation of fisheries agreements with other countries appear to be rare.

1. As will be pointed out in the Conclusions, this thesis might usefully be complemented by a study of the ways in which the target country in each of these bilateral relationships - Japan - reacted to the separate exercises of linkage diplomacy by New Zealand and Australia.

PART I: AN ANALYTICAL FRAMEWORK FOR THE STUDY OF LINKAGE DIPLOMACY  
 UNDER CONDITIONS OF ECONOMIC INTERDEPENDENCE

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It will be recalled that our working hypothesis is as follows: the propensity to adopt linkage strategies involving trade-offs across issue areas is inversely related to the level of interdependence - where interdependence is measured in terms of the number and variety of issue areas and actors significantly involved in the relationship. The following analytical framework is designed to test this hypothesis in the context of different case studies involving bilateral foreign economic relationships. Before treating with the framework proper, however, there exist two tasks. The first, concerns definition of some of the terms employed in the working hypothesis. The second, relates to a more detailed consideration of the *a priori* reasoning behind the hypothesis.

There are four terms in particular which require some definition - namely, 'trade-off', 'issue', 'actor', and 'significant involvement'.

The dictionary defines 'trade-off' as 'to acquire or dispose of by barter'.<sup>1</sup> Rather more broadly, one can consider it to mean 'to exchange something for something else (usually) of equivalent value'. In the present context of linkage diplomacy under conditions of economic interdependence, we refer to trade-offs as the granting of concessions by one party in some economic area in exchange for concessions by another party in separate economic (or political) issue areas. Trade-offs can take many different forms. At their most spectacular they may be highly visible, as in the more extreme cases of resources diplomacy. (Here one might cite the use of the Arab oil 'weapon' in late 1973 to extract political concessions from the West.) For the most part, however, trade-offs are less spectacular. One might even speak in terms of negative trade-offs, or linkages, where one party *denies* something to another unless the latter makes some concession.

The term 'issue' is here defined as 'a point in question or dispute, as between contending parties in any controversy'. It should

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1. *The Oxford English Dictionary*, Oxford University Press, London, 1970.

be noted that the level of disputation may vary considerably according to issue area. Some issues between States may generate considerable on-going hostility and conflict. Other issues may involve little friction - as for example certain foreign trade issues, where points in dispute are confronted at infrequent intervals and where the relationship for the most part remains on a relatively cooperative and harmonious plane. When speaking of 'significant issues', we refer to those issues which are of sufficient consequence to affect national or important sectional interests. While this definition does not provide a clear and sharp distinction between 'significant' and 'insignificant', it does alert the analyst to the importance of distinguishing between major economic and political issues on the one hand, and relatively minor, inconsequential, matters on the other.

By 'actors' we refer to those individuals and organisations - both public and private - involved in the issues specified above. Again, when speaking of actors 'significantly involved', we include only those individuals and organisations who are in a position to affect policy decisions - either directly through their role as decision-makers, or indirectly by way of their political influence on the decision-makers.

The second task involves consideration of the argument presented in the working hypothesis. Needless to say, it requires at least two issue areas before linkage diplomacy can occur. Now, if one takes the case of a country which has a relatively simple bilateral relationship with another State involving only two significant issue areas it may be assumed that, if linkages across these two issues are contemplated, one set of actors having an interest in the issue being traded off will be opposed to the concept, whereas the other set of actors standing to gain from the trade-off will be in favour.

In the case of a country having a more complex bilateral relationship with another - involving a larger number and variety of issues and actors - one may expect greater opposition to linkage diplomacy. In addition to the set of actors whose interests are being traded off, other actors identified with issues not immediately involved in the linkage strategy will very likely be opposed. One may assume that the latter will fear the 'spillover effects' of linkage diplomacy, where the target country retaliates by introducing countervailing linkages of its own which involve issues in which these

actors *are* involved. As Bergsten and his colleagues have observed, 'One linkage breeds another, as the states disadvantaged by the first linkage seek to bring their sources of strength upon the problem at hand.'<sup>1</sup> In order to protect their interests these other actors will probably try to preserve the *status quo* existing in the overall bilateral relationship, and will oppose the adoption of linkage diplomacy.

It is conceivable that the hypothesis will not apply in *all* conditions of bilateral interdependence. For example, in crisis situations where the national interest is vitally at stake, there may be substantial support for linkages across issue areas from a large number of individuals and organisations. In extreme cases, even actors identified with the issue being used as a bargaining lever may support trade-offs. One may also envisage a situation where even though a majority of the actors favour issue isolation, linkage diplomacy is still adopted. Such a situation is likely when the political influence of the set of actors favouring trade-offs is greater than the combined influence of those opposing trade-offs.<sup>2</sup>

These exceptions aside, it appears reasonable to assume that the hypothesis will apply in most other situations. By *a priori* reasoning it is argued that the hypothesis will be supported even when applied across a range of countries having different political structures.

In States having a pluralist society, characterised by decentralised policy networks and strong private bureaucracies (for example, the United States), one may readily envisage the manner in which a large number of individuals and organisations opposed to some exercise of linkage diplomacy will mobilise and voice their opposition. Given the general sensitivity in these societies of politicians and other major decision-makers to public opinion, widespread opposition to trade-offs across issues areas is likely to lead to a rejection of linkage diplomacy.

1. C. Fred Bergsten, Robert O. Keohane, and Joseph S. Nye, *op.cit.*, p.10. See also Robert O. Keohane and Joseph S. Nye 1977, *op.cit.*, p.16.

2. But the greater the number of issues and actors involved, the less likelihood of a single set of actors having greater political influence. As Verba has argued 'The more people involved in defining a situation, formulating goals, or choosing alternatives, the more the decisions will reflect group and organisational values, needs, and traditions, and the less they will reveal the attitudes, beliefs or images of any single person.' See Sidney Verba 'Assumptions of Rationality and Non-Rationality in Models of the International System' *World Politics*, 14, 1961, p.p.93-117.



This is not to suggest, however, that countries marked by a 'weak State' and a 'strong society'<sup>1</sup> will never be attracted to linkage strategies. Even the United States, which has what Huntington terms 'a pervasive ideology that sanctifies the independence ... of economic power to government', has areas of the economy where the government *is* deeply involved - areas which are occasionally used as bargaining levers in Washington's broader foreign policy strategies.<sup>2</sup> In such States the hypothesis holds; the propensity to adopt linkage strategies is inversely related to the level of interdependence as measured by the number and variety of issues and actors involved in the total bilateral (or multilateral) relationship concerned.

In more authoritarian States, characterised by highly centralised policy networks and strong public bureaucracies, there is, of course, much less scope for mass participation in, or influence on, decision-making. It is argued, nevertheless, that the hypothesis may still apply under these conditions. Such countries, too, will have a set of actors possessing a vested interest in each of the issue areas existing with other States. There is little doubt that within each set of actors there will be some individuals - including, perhaps, members of the ruling élite - in positions of power and authority. These actors will not wish to see their interests directly traded-off or indirectly threatened through the 'spillover effects' of linkage diplomacy, and will most probably use their influence to prevent the use of this form of bargaining strategy. Again, the greater the number and variety of issues and actors involved, the greater the likely opposition.

In introducing the analytical framework itself, several points need to be re-emphasised. First, while we are here concerned with bilateral interdependent relationships our focus is on the national policies of a *single* party in these relationships - namely, that country which might (perhaps by virtue of a recent increase in the potential bargaining leverage of some resource it possesses) be expected first to introduce linkage diplomacy in a bargaining situation.

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1. As Peter Katzenstein characterises the United States; see his 1976, *op.cit.*

2. One may cite the example of how America has, over the past few decades, used exports of food (often as aid) as a political tool. See Stephen S. Rosenfeld 'The Politics of Food', *Foreign Policy*, No.14, Spring, 1974, and Donald F. McHenry and Kai Bird 'Food Bungle in Bangladesh' *Foreign policy*, No.27, Summer, 1977.

Second, our major task is one of examining the degree to which the multiplicity of issues and actors involved in an interdependent relationship affects the adoption, and successful implementation, of linkage diplomacy. In particular, we will try to determine whether these factors, rather than those of relative sensitivity and vulnerability, best explain the existence or absence of trade-offs across issue areas. In order to make such a comparison, it is necessary to include in our analysis an assessment of the respective sensitivities and vulnerabilities of each side, both with respect to the overall relationship and with respect to each separate issue area.

Third, as this thesis is mainly preoccupied with the study of economic interdependencies, the framework makes many specific references to linkages or trade-offs across economic issue areas. However, the broad outline of the framework can readily be applied to the study of other linkages - for example, where economic leverage is used to extract political concessions; and where political leverage is used to extract economic, or other political, concessions.

Finally, the framework may be applied in the study of countries of all political structures and ideologies. However, it will be recognised from the attention given to private pressure groups and their political influence on government decision-makers, that the framework gives greater emphasis to the decision-making and negotiating structures existing in more 'open' societies - as, for example, Australia and New Zealand.

It will be recalled that the framework is divided into three sections: the first, concerns issues and actors; the second, considers policy formulation; and the third, involves policy implementation - including, most importantly, the bargaining process.

### Issues and Actors

This section concerns itself with identifying the different issues and actors significantly involved in a bilateral relationship. These issues, and the actors associated with them, may be considered under three separate categories: first, that which we term the 'primary' issue area - namely, that area which is most likely to be used as a bargaining lever by the country under examination (Country A); second, that which we term the 'secondary' issue area(s) - that is to say, the area(s) which is(are) most likely to be linked to the first, and for which concessions are likely to be sought from the target

country (Country B); and third, 'other' issue areas - that is, those significant issue areas not included in the first two categories.

a. Primary Issue Area As mentioned above, this issue area is the one which is most likely to be used as a bargaining lever by Country A. It may usually be identified (when compared with other issue areas) in terms of the high degree of sensitivity/vulnerability dependence of the target country. Often the primary issue area will be one which has recently experienced great changes, where the sensitivity/vulnerability of Country B has sharply increased. For convenience of description in this framework it is assumed that the primary issue area involves the trade in some resource. (It will be recalled that in the following two case studies the primary issue area has already been identified - namely, the trade in fish resources.) The framework could, of course, have considered other examples of economic issue areas where bargaining leverage might be applied - such as overseas investment or aid.

Having identified the likely primary issue area, it remains to assess the potential bargaining leverage accruing to the resource-exporter (Country A) over the resource-importer (the target country, or Country B), and to identify the actors significantly involved in this area.

When speaking of bargaining leverage we refer to the asymmetrical dependency - as expressed in terms of sensitivities and vulnerabilities<sup>1</sup> - existing between Country A and Country B. This will be a function both of factors existing in the global trading environment for the resource in question, and of factors existing in the bilateral trade in this resource between the two countries.

With respect to the global environment, special attention should be paid to the sensitivity of the resource-importer to any recent changes - say, those affecting the supply and demand situation - in the international trade in the resource.

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1. Sensitivity is not used here in the rather narrow sense defined by Cooper in terms of price and income developments (see the Introduction). Instead, the broader definition by Nye is applied, namely: 'Sensitivity means liability to costly effects [whatever these might be, Nye obviously implies] imposed from outside in a given situation - in other words, before any policies are devised to try to change the situation'. Nye's definition of vulnerability is also accepted, namely: 'Vulnerability means continued liability to costly effects imposed from outside, even after efforts have been made to alter or escape the situation'. See Joseph S. Nye, Jr. 'Independence and Interdependence' *Foreign Policy*, No.22, Spring, 1976, p.133.

The analyst should also assess the ability of the resource-importer to reduce its vulnerability to changes in the global environment. It might, for example, be necessary to examine the availability of alternative import sources or the suitability of substitute resources to the importing country.

In addition to these global factors, there are many features of the bilateral trade which are likely to affect critically Country A's bargaining leverage. Obviously, one of the most important of these relates to the size, quality, and other properties of the resource it possesses. Of particular relevance is the exporting country's share of the global trade in this resource.

The analyst will also need to determine the degree to which bargaining leverage is affected by *Country A's* dependence on *Country B*. Such dependence may exist in one or more of the following areas: export markets, the provision of investment capital to develop the resource, the transfer of technology and research data, and so on.

Having established the net bargaining leverage enjoyed by Country A in the primary issue area, it remains to identify the actors significantly involved in the bilateral trade relationship. Those actors likely to have one of the greatest stakes in the trade are those private interests in Country A directly involved in the resource industry itself, whether as developers, processors or exporters. These actors will be individuals and organisations representing the industry - nationals of the exporting country, or, perhaps, foreign members of multinational corporations engaged in exploiting this resource.

There will also be other, non-private, actors who will have a vested interest in the primary issue area. Among these will be officials in the government agency directly responsible for the industry involved. (If, for example, the resource under consideration is coal, one would imagine the Department of Minerals and Energy - or some similar department - to be most concerned about policy decisions affecting that industry.) Further, other government agencies in Country A, with a less direct responsibility for the industry, might be significantly involved in one or more aspects of the resource trade - for example, the Department of Overseas Trade and the Ministry of Foreign Affairs.

The politicians in Country A may, for various reasons - including their personal ambitions and responsibilities - feel they also have an important stake in the fate of the issue area. This group of actors might range from the Member of Parliament who represents some local constituency in which the industry is based, to the Cabinet Minister primarily responsible for the industry, and even, perhaps, to the Prime Minister himself.

Some issue areas may attract the attention of other actors located outside industry or government. There may, for example, be many private interest groups in Country A - such as conservationists, domestic consumers, or minority ethnic groups - who have a vested interest in policies involving the trade in some resource or in other economic issue areas.

b. Secondary Issue Area It will be recalled that this issue is the one most likely to be tied to the primary issue area in linkage diplomacy, and the one for which concessions are likely to be sought from the target country. It should not be automatically assumed that the secondary issue area will be that where Country A suffers greatest vulnerability in its bilateral relationship with Country B. As neither side is likely to allow the other to have the 'best of the bargain', there will normally be some rough equivalence in 'value' of the two issues being traded-off. In some cases, the primary issue area will be 'worth' far less than the issue area where Country A is most dependent on Country B, and concessions will be sought in some other, less important, area. In other cases, the primary issue area will be 'worth' more than any single secondary issue area, and Country A might seek a *package* of concessions from Country B. However, much will here depend on each party's perception of the 'value' of the respective bargaining levers. Such assessment is particularly difficult when trade-offs are contemplated across two very different issue areas,<sup>1</sup> or when concessions are being sought in a package of issue areas. There is also the possibility that Country A might try to bluff or coerce Country B into making concessions worth more than those offered in the primary issue area.

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1. As, for example, where economic issues are linked to political issues. See Holsti and Levy 1974, *op.cit.*, p.884, for their discussion of this problem.

Thus, without a detailed knowledge of the country concerned, the analyst will probably find it difficult to predict accurately the areas in which concessions will be sought by Country A. His efforts in this respect might be rewarded by an examination of recent - and not so recent - policies and statements relating to the primary issue area. He might, for example, discover that at some time in the past Country A has already used its bargaining leverage in the primary issue area to extract certain concessions from Country B. Or, more recently, policy-makers in Country A might have made explicit statements indicating the areas in which they intend to exploit their bargaining advantage in the primary issue area. In his search for likely secondary issue areas, the analyst should note the existence of any long-standing areas of friction between the two sides, or the existence of any recent changes in the bilateral relationship - for example, in the terms of trade in some resource - which have increased Country A's dependence on Country B.

Having identified the likely secondary issue area, there remain two tasks. The first involves assessing the sensitivity and vulnerability of Country A to the bargaining power of Country B in this area. The second, concerns identification of those actors in Country A - both public and private - who have an important interest in the secondary issue area.

c. Other Issue Areas This sub-section considers those other issue areas not included in the previous two categories - namely, those issues which are unlikely to be used as a bargaining lever or to be selected as targets for concessions in the initial linkage strategy, and yet which still qualify as areas where Country A is significantly involved with Country B.<sup>1</sup> This category may cover a large number and variety of issue areas, including those in the economic, diplomatic, security, and cultural arenas.

In each of these issue areas the respective dependencies of Country A and Country B will be noted. In some cases the former may be more dependent on the latter, whereas in other cases the reverse might be the situation. Again, the analyst will try to identify the

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1. It might be worth re-emphasising that the analyst will have to use his own subjective judgement in distinguishing between 'significant' and 'non-significant' issue areas.

actors significantly involved in each of these issue areas.

It is at this point of the analysis that a comprehensive assessment is made of the two most important variables considered above. First considered is an assessment of the level of interdependence - as measured in terms of the total number and variety of issues and actors (that is, all those issues and actors included in the three categories described above) significantly involved - existing in different bilateral relationships.

It is, perhaps, easier to conceive of levels of interdependence in relative rather than in absolute terms. For example, while it may be reasonable to claim that where only two significant issue areas are involved in a bilateral relationship there is a low level of interdependence, it is far more difficult to decide how many issue areas constitute a medium, or high, level of interdependence. In this thesis the level of interdependence is considered in relative terms, where the total number of issues and actors involved in the New Zealand - Japan relationship is compared with the total number of issues and actors involved in the Australia - Japan relationship.

Second, a comprehensive assessment is made of the varying degrees of dependence - here expressed in terms of sensitivity and vulnerability - existing in different areas of the bilateral relationship. Very briefly, we will reconsider Country B's net dependence on Country A in the primary issue area, and Country A's net dependence on Country B in the secondary issue area. Further, we will attempt to calculate the *total* net dependency (or dominance) of Country A on Country B, by considering the sensitivities and vulnerabilities existing in all the issue areas treated in the three categories above. It should be noted that the level of dependence (or dominance) in each case will be expressed in only crude terms - as high, medium or low.<sup>1</sup>

### Policy Formulation

This section of the framework addresses two major questions: namely, were trade-offs across issue areas adopted as part of Country A's foreign economic strategy towards Country B; and how was the decision

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1. While it is conceivable that the level of dependence in some issue areas (quite often those involving economic transactions) can be quantified, there are other issue areas where the level of dependence - in terms of sensitivity and vulnerability - does not lend itself to precise measurement. Moreover, even where the levels of dependence

arrived at affected by the policy preferences of the various actors in Country A?

Much of this section is preoccupied with identifying the views - where expressed - of each actor in the resource-exporting country concerning the most desirable use of the bargaining leverage existing in the primary issue area. This will involve an examination of each actor's public statements concerning: the *goals or objectives* he has selected for his particular issue area; his perceptions of the availability of effective policy *instruments* to obtain these objectives; and his assessment of the bargaining leverage in the primary issue area as a suitable instrument to extract concessions in *his* issue area from Country B. Further, it will be determined whether the actors' policy preferences resemble those outlined in the argument above, where it was proposed: those actors associated with the primary issue area will strongly oppose trade-offs across issue areas; those in the secondary issue area will favour trade-offs; and those actors in other issue areas will demonstrate some opposition to trade-offs.

But this section not only identifies the policy preferences of different actors; it also examines the factors which influence the actors' final choices. Such emphasis is necessary if we are to explain those cases where certain sets of actors - or important individuals within any single set of actors - adopt policy stances different from the ones here predicted.

A large number of works in the political science literature - particularly those dealing with decision-making theory - illustrate the various ways in which political actors will *unwittingly* support policies that do not promote their own interests. It has been noted how the policy-maker's delineation of objectives, choice among courses of action, or response to some change in the environment may be explained in part by his perception of reality.<sup>1</sup> The degree to which his image of reality differs from reality itself will partly be a function of deficiencies in the accuracy or completeness of the

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in different issue areas can be given numerical values, it is unlikely - given the different items being measured - that direct comparisons can be made across different dependencies, or any numerical value given to the total level of dependence existing in a bilateral relationship.

1. K.J. Holsti *International Politics: A Framework for Analysis*, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1972. See especially Chapter 12 'Explanations of Foreign Policy Outputs' p.p. 353-400.



information available to him.<sup>1</sup> Holsti has also observed how the policy-maker's perceptions and evaluation of a situation will be influenced by the actor's attitudes, values, beliefs, and doctrines.<sup>2</sup> Other observers have noted how the policies adopted by a set of actors might best be explained in terms of the personality traits of the principal spokesman for this group.<sup>3</sup>

There may also be times when actors *consciously* support policies which do not best promote their own group's interests. It has already been noted how this might be the case in times of national emergency. Even in less extreme circumstances, there may yet be actors who are prepared to act unselfishly by sacrificing their own interests for the national good. At times the decision-maker himself might have a conflict of interests and responsibilities. For example, a Minister of Primary Industry, who has responsibility for both agriculture and fisheries, may be forced into a very difficult situation should trade-offs be suggested linking fish and agricultural commodities. No matter whether he supports or opposes such trade-offs, he will betray the interests of either the farmers or the fishermen.

In addition to identifying the policy preferences of different actors and the factors which constrain their choice, the analyst should also assess the political influence of these actors. Inevitably, some actors will be more influential than others. The question is, does the influence of any single set of actors have a disproportionate impact (given the number of actors, or groups of actors, involved) on the final decision to adopt, or reject, resources diplomacy?

It will be recalled that actors may have an influence on policy-making either directly through their role in various committees or institutions charged with the responsibility for formulating policy, or indirectly through their influence on the decision-makers. The analyst should, therefore, seek to identify both the direct and indirect political influence of each set of actors.

1. For more on the subject of information (or the lack of it) and its effects on decision-making see Richard C. Snyder, H.W. Bruck, and Burton Sapin (eds.), *Foreign Policy Decision Making*, The Free Press, New York, 1962, p.65. See also Harold and Margaret Sprout 'Environmental Factors in the Study of International Politics' *Journal of Conflict Resolution*, No.1, 1957, p.p. 309-28.

2. K.J. Holsti 1972, *op.cit.*

3. For a psychoanalytical explanation of foreign policy decision-making see Joseph de Rivera *The Psychological Dimension of Foreign Policy*, Charles E. Merrill Books Inc., Columbus, Ohio, 1968.

In the case of private (that is, non-government) actors, it will be determined whether any have been included in the formal decision-making machinery set up to consider policy options relating to the primary issue area. The more indirect influence of these actors may be assessed in terms of: their total numbers; the degree to which they traditionally support the ruling political party at election time; the ways in which they have mobilised support for, or opposition to, certain policy alternatives; and the responsiveness of the politicians to pressure group interests.<sup>1.</sup>

Again, in the case of actors from government bureaucracies, we will wish to determine their role and influence in the policy-making body established to draft policy alternatives. Some government agencies may automatically assume a position of leadership in this body by virtue of the technical expertise they possess in the issue area.<sup>2.</sup> At other times, the membership and positions of greatest influence in the decision-making body will be resolved largely by inter-(and intra-) bureaucratic rivalry and conflict.<sup>3.</sup>

With respect to the role of politicians in the policy-making process, it should be noted whether they actively participate in the formulation of policy options or leave this task to their bureaucratic advisers. Further, the political influence of different Ministers should be assessed at the point where the selection of policy alternatives is considered at Cabinet level.

This section of the framework concludes with a detailed examination of the final policy decision. Was linkage diplomacy adopted? If so, what trade-offs were envisaged - in other words, in what secondary issue areas were concessions sought from Country B? What decisions were made with respect to the *implementation* of linkage diplomacy? For example, did Country A decide to use its bargaining leverage in the primary issue area as an instrument

1. Several works treating with the influence of public opinion on policy-makers involved in foreign policy in the United States may be cited: James Rosenau *National Leadership and Foreign Policy: A Case Study in the Mobilisation of Public Support*, Princeton University Press, Princeton, 1963; Morton A. Kaplan *System and Process in International Politics*, John Wiley and Sons Inc., New York, 1957; and Raymond Bauer, Ithiel Pool, and L.A. Dexter *American Business and Public Policy: The Politics of Foreign Trade*, The Atherton Press, New York, 1963.

2. See Holsti and Levy *op.cit.*, p.876.

3. As argued by Graham T. Allison is his much-quoted *Essence of Decision: Explaining the Cuban Missile Crisis*, Little Brown and Company, Boston, 1971. See also Morton H. Halperin *Bureaucratic Politics and Foreign Policy*, The Brookings Institution, Washington D.C., 1974; and

of reward or as an instrument of punishment?<sup>1</sup>.

Most importantly, we will wish to determine whether the working hypothesis has been validated. Except in situations of national crisis (and some of the other exceptions listed above), we would expect to find that, where a large number of issues and actors are involved in a bilateral economic relationship, opposition to trade-offs across issues areas will be pronounced and linkage diplomacy rejected.

#### Policy Implementation

While the major focus of the present study is on the reasons why different countries adopt (or reject) linkage diplomacy under conditions of economic interdependence, the thesis also treats with the *implementation* of this form of diplomacy. This third, and final, section of the analytical framework, therefore, focusses on the bargaining process between the resource-exporting country (Country A, the country which first introduces linkage strategies in a particular bargaining situation), and the resource-importing country (Country B, the initial target country). The section is divided into three sub-sections: the first two - pre-bargaining exchange and bargaining exchange - present, chronologically, the background to the bargaining process against which all those factors which might affect the final outcome are examined; the third sub-section treats with the bargain outcome itself, and determines whether Country A's attempts at linkage diplomacy were successful.

First, however, a few general comments should be made about the different factors which may affect bargain outcomes. Keohane and Nye have observed that 'There is rarely a one-to-one relationship between power measured by any type of resources and power measured by effects on outcomes. Political bargaining is the usual means of translating potential into effects, and a lot is often lost in the translation.'<sup>2</sup> As already noted in the Introduction, these

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Graham T. Allison and Morton H. Halperin 'Bureaucratic Politics: A Paradigm and Some Policy Implications' in *Theory and Policy in International Relations*, Raymond Tanter and Richard H. Ullman, (eds.), *World Politics*, Vol.24, Spring Supplement, 1972.

1. For further consideration of the various techniques that individuals and groups employ to influence each other see George Modelski 'Kautilya: Foreign Policy and International System in the Ancient Hindu World' *American Political Science Review*, No.58, 1964. See also the section on 'Techniques of Economic Reward and Punishment' in K.J. Holsti, 1972, *op.cit.*, p.p. 245-257.

2. Keohane and Nye, 1977 *op.cit.*, p.11.

two authors suggest that such factors as bargaining skill, commitment, and coherence, may have as great an impact on the bargain outcome as the asymmetrical interdependence - in terms of sensitivities and vulnerabilities - existing between the two negotiating parties. But the political science/international relations literature touching on the subjects of inter-state bargaining and negotiating suggests that there are many other factors (that is, other than those of skill, commitment, and coherence) which might affect the bargain outcome. Most of these factors will be identified, if very briefly, in the first two sub-sections. Particular emphasis will be given to those factors which are peculiar to (or particularly pronounced in) linkage diplomacy under conditions of economic interdependence - where, for example, the threat of countervailing linkages by Country B may cause some of the actors in Country A to call upon their government to back down.

a. Pre-Bargaining Exchange It is argued that the perceptions, tactics, and ultimate success of some party involved in negotiations with another will be in part determined by its experiences (if any) in previous similar bargaining exchanges. These former exchanges will probably have given each side the chance to assess the various sensitivities and vulnerabilities, bargaining skills, commitment, will, and credibility of the other. As Iklé has put it

' The way in which a government negotiates and the conditions under which it accepts or rejects an agreement have an important bearing on its bargaining strength in the future - its bargaining reputation. On the basis of its performance in past negotiations, others will impute to it a diplomatic style, certain motives and objectives, attitudes towards the use of force, a degree of political will, and other attributes of power. Bargaining strength depends not so much on what these attributes really are as on what others believe them to be. Hence the importance of this reputation.'<sup>1</sup>

The analyst should, therefore, examine the past record of negotiations between the two parties (Countries A and B), especially in those cases where Country A has sought to exploit its bargaining leverage in the same primary issue area as that now under investigation.

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1. Fred Charles Iklé *How Nations Negotiate*, Harper and Row, New York, 1964, p.76. Other authors have drawn attention to the significance of these variables. Klaus Knorr, for example, asserts 'The putative

In particular, the analyst should determine: one, the credibility of Country A's past threats in this area - which comprises two elements, the capacity to carry out the threat, and a commitment actually to exercise this capacity unless certain demands are complied with;<sup>1</sup> and, two, the outcome of these previous bargaining exchanges.

b. The Bargaining Exchange It is possible, of course, that these earlier experiences might not significantly affect the outcome of subsequent bargaining exchanges. The analyst will have to determine how changed circumstances, the passage of time, and different actors, affect each party's perceptions of the other in the new bargaining situation. This sub-section, therefore, emphasises these, and other, new or immediate factors which may influence the course of the bargaining exchange presently under consideration.

First, however, the analyst will need to determine the way in which the bargaining exchange was conducted; for in linkage diplomacy there may not be a single set of negotiations, but several. For example, there might be two separate sets of negotiations - one dealing with the primary issue area, and the other dealing with the secondary issue area - both being conducted at the same point in time, and where progress in one is contingent on progress in the other; or two sets of negotiations might be run in tandem, where, for instance, Country A insists on agreement being reached on matters relating to the secondary issue area before negotiations may begin on the primary issue area.

The next task will be that of identifying those actors in Country A most significantly involved in negotiations with Country B in the current exercise of linkage diplomacy. (These will rarely exactly correspond with those responsible for *formulating* the

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economic power of states has four bases: "economic strength"; the will to use this strength for power purposes; the skill of applying this strength for such purposes; and the international reputation a state has in terms of an expected disposition to use its economic strength in order to exercise power', Klaus Knorr *Power and Wealth: The Political Economy of International Power*, Macmillan, London, 1973, p.p.81-82; see also K.J. Holsti, 1972, *op.cit.*, p.166.

1. For a detailed discussion on the subjects of threats, credibility and capacity, and other elements of games strategy, see T.C. Schelling *The Strategy of Conflict*, Oxford University Press, Oxford, 1963. See also G.O. Gutman 'Resources Diplomacy' *The Australian Quarterly*, Volume 47, No.1, March, 1975, p.p.36-50.

policies related to linkage diplomacy.) Attention should be paid to the personal traits and ambitions of these negotiators - particularly those of the chief negotiator. Lall has noted how 'the personal pride, anger or even the vanity' of a country's negotiators - especially if these include the head of state or government - may seriously affect attitudes in negotiation.<sup>1</sup> Iklé has also observed how the personal frailties, quirks, and ambitions of the negotiators may affect the successful conclusion of negotiations. He notes, for example, how the diplomat (as broadly defined) may feel constrained to adopt a tough posture in the negotiations to prove himself a *hard* bargainer. On the other hand, the diplomat may be more prepared to make concessions to the other side to prove himself a *successful* bargainer - successful in the sense that he obtained some sort of agreement.<sup>2</sup>

The bargain outcome may also vary according to the type of negotiating tactics employed. Pearson and Schelling<sup>3</sup> claim that tacit bargains may be more effective in obtaining an agreement than rigid negotiating proposals which might antagonise the other party and lead to a breakdown in the negotiations. Further, secret diplomacy might be preferred to open diplomacy, for governments may feel handicapped if domestic interest groups become involved in the negotiating process. However, this option does carry with it political risks for the negotiators. As Iklé has warned 'The discussions between the diplomats may not be revealed, but enough about the basic demands and offers may become known to stimulate domestic pressures for changes in the government's position.'<sup>4</sup> There is also the risk that the other party in the negotiations might decide to 'leak' information to the media.

It is conceivable that there will be other factors limiting the kind of bargaining outcome which are either unique to, or particularly pronounced in linkage diplomacy. It is likely, for example, that this

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1. Arthur Lall, *Modern International Negotiation: Principles and Practice*, Columbia University Press, New York, 1966, p.p.132-150.

2. As Iklé points out 'Agreement in itself, regardless of the terms, may become a measure of success for a diplomat', Fred Charles Iklé, *op.cit.*; see especially Chapter 9 'Personalities' p.p. 143-163.

3. Lester B. Pearson *Diplomacy in the Nuclear Age*, Harvard University Press, Cambridge, Mass., 1959, p.p.51-2, and T.C. Schelling, *op.cit.*

4. Fred Charles Iklé, *op.cit.*, p.143.

form of bargaining strategy will involve the active interest of a larger number of domestic actors than most other strategies. If all actors involved in the bilateral relationship were not concerned about their government's decisions during the policy formulation stage, they are more likely to be so once the policies in this area begin to be implemented. They will probably then recognise that there is always the danger of a 'chain-reaction' effect in linkage diplomacy under conditions of economic interdependence - where the initial linkage provokes countervailing linkages across different issue-areas by Country B, which in turn prompts further linkages by Country A. Unchecked, linkage diplomacy could easily lead to the total collapse of cooperative bilateral relations.

The threat of this danger might mobilise considerable domestic opposition to the continued exercise of linkage diplomacy. This opposition may take several forms, and come from different quarters. First, private interest groups in Country A may pressure their government to back down in its negotiations with Country B. Second, opposition to the linkage strategy might come from the negotiators themselves. Frankel, and others, have noted the difficulty normally experienced of conducting foreign policy among different government departments where each derives different practical implications from agreed national objectives and have conflicting domestic interests to defend.<sup>1</sup> This problem is likely to be particularly acute in linkage diplomacy where - almost by definition - the negotiators involved will represent a larger number of domestic interests than in most other forms of diplomacy. At this point, it is worth quoting again from Keohane and Nye,

' If we could assume that linkage and policization were controlled by national statesmen in firm control of their governments and societies, then the bargaining process of complex interdependence could be quickly apprehended. But the fact that interdependence has different effects on different groups and that these groups press multiple concerns on their governments... greatly complicates the

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1. See Joseph Frankel *The Making of Foreign Policy*, Oxford University Press, London, 1963; and Fred Charles Iklé *op.cit.*, especially Chapter 8 'Domestic Affairs'.

bargaining process. By reducing the coherence of national positions, this complexity of actors and issues strongly affects the commitment to and credibility of threatened retaliation...<sup>1</sup>.

Governments involved in linkage diplomacy are likely to experience other difficulties. As Keohane and Nye have observed, the complexity of actors and issues involved in this form of diplomacy affects the bargaining process 'by providing transnational allies, hostages, and instruments of manipulation.'<sup>2</sup> It would appear, therefore, that linkage diplomacy provides unique scope for *either side* to exploit the domestic weaknesses and divisions of the other. The government in Country A will - if its own nationals are either being 'held hostage' by, or show sympathy towards, pressure groups in Country B - probably recognise that this type of bargaining is a 'two-edged sword'.

c. The Bargain Outcome This final sub-section of the analytical framework is concerned with the bargain outcome. As Iklé observes, negotiations may have outcomes which range from 'total disagreement to complete agreement, with varying mixtures of ambiguity and specificity in the eventual settlement'.<sup>3</sup> In the context of the present study, the outcome will be assessed in terms of the degree to which Country A was able to persuade Country B to accept its bargaining demands with respect to trade-offs across issue areas.

One problem facing the analyst concerns choice of the point in time for assessing the bargain outcome. This problem is particularly acute when the negotiations seem to have no clear-cut termination point - as is commonly the case in trade disputes, where agreements reached are subject to change and review on a regular on-going basis.<sup>4</sup> Another problem relates to the fact that there might not be a single bargain outcome, but two or more with linkage diplomacy. The analyst might also have difficulty in determining the results of the bargain outcome. Perhaps the terms of the agreement were kept

1. Keohane and Nye, 1977 *op.cit.*, p.226.

2. *Ibid.*, p.226.

3. Fred Charles Iklé, *op.cit.*, p.59.

4. In the following case studies we have chosen to focus on the *initial* agreements reached respectively by New Zealand and Australia with Japan covering fisheries access and related issues - that is, issues related in the context of linkage diplomacy.



secret at the wishes of one or both parties; or the agreement was written in vague and ambiguous terms; or it may be the case that crucial areas of agreement were not made explicit in writing but were vocalised as a tacit understanding between the two sides.

Linkage diplomacy may be judged to have been a *complete success* when the country which first initiates this strategy - Country A - achieves all of its bargaining objectives in its negotiations with Country B; that is to say, where it extracted the originally-targetted concessions in the secondary issue area(s) in exchange for the planned concessions in the primary issue area. The outcome may be considered a *partial success* when Country A either obtains only some of the concessions sought in the secondary issue area, or obtains all of these concessions but only at the cost of making extra concessions to Country B in the primary issue area. Linkage diplomacy will be judged a *complete failure* when Country B refuses to accept any form of trade-offs across issue areas and refuses to negotiate, or where either side breaks off the negotiations without agreement. The bargain outcome is considered *inconclusive* when agreement has not been reached, but where the negotiations are scheduled to continue.

Our final task involves consideration of how the bargain outcome relates to those other major features of linkage diplomacy considered above, namely: the multiplicity of issues and actors involved in the bilateral relationship, and the net dependency (or dominance) of Country A on Country B.

## PART II: THE GLOBAL FISHERIES ENVIRONMENT

It will be recalled that the analytical framework outlined in Part I will be applied in the examination of two case studies - namely, the fisheries access negotiations conducted respectively by New Zealand and Australia with Japan in the new era of 200-mile fishing zones. For the most part, the two case studies will be treated separately; New Zealand in Part III and Australia in Part IV. There is, however, one part of the analytical framework - that concerning the global fisheries environment - which applies equally to *both* case studies. In order to avoid unnecessary repetition, this subject will be given separate treatment here in Part II of the thesis.

Part II is mainly concerned with identifying those areas of recent change in the global fisheries environment which promise to alter the traditional roles and importance, bargaining strengths and weaknesses, of the distant-water fishing states (DWFS) on the one hand, and of the coastal fishing states on the other. It is divided into four different sections. The first section provides an historical and statistical background to the structure of the global fishing industry as it existed in the mid-1970s - the dawn of the era of 200-mile exclusive economic zones. The second section traces the history of the Law of the Sea, particularly where it relates to fisheries. Special emphasis in this section will be given to the draft convention on fisheries produced by the Second Committee at the Third United Nations Conference on the Law of the Sea (UNCLOS III),<sup>1</sup> and to the increased rights and powers claimed therein by the coastal states. The third section examines Japan's<sup>2</sup> sensitivity to the widespread adoption of extended fishing zones. The final section assesses that country's likely vulnerability to these zones by examining the various policy options available to the Japanese in the new era.

### The Global Fishing Industry

Before World War II most fishing operations in different parts of the world were conducted in home or near-home waters. Over the last three decades or so, however, there has been a dramatic change in the

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1. A more detailed consideration of the work of the various Committees at UNCLOS III appears in the second section.

2. The special emphasis given to Japan in sections three and four may be justified on the grounds that it is this DWFS which claims our attention in the two case studies.

structure of the global fishing industry. A substantial revolution in fisheries technology<sup>1</sup> during this period has permitted States with access to the necessary knowhow and capital to operate their fishing fleets efficiently for extended periods of time in areas far distant from their home ports, to open up major new fishing grounds and to exploit species formerly neglected.

This technological revolution has contributed to the development of a 'two-tier' structure in the world fishing industry<sup>2</sup>: First, there is the group of countries which have both the capacity and the desire to exploit the new technology. These are the distant-water fishing states (DWFS). The second tier consists of the coastal states<sup>3</sup> which fish primarily in waters off their own shores - although not necessarily exclusively in their own national waters. (It should be pointed out that all DWFS have a coastal component in their fishing industry; in other words, no country depends exclusively on its distant-water fishing fleet for *all* of its catch.)

Given the high levels of capital investment and technological sophistication that go into modern fishing vessels, it is not surprising that most DWFS are developed industrialised states - whether from the developed market economies (for example, Japan, the United States,<sup>4</sup> the United Kingdom, and West Germany), or from the centrally planned economies (for example, the Soviet Union, East Germany, and Poland).

But not all DWFS belong to the developed world. The Republic of Korea, Taiwan and Cuba are examples of less developed countries (admittedly quite prosperous LDCs) which operate distant-water fishing fleets. However, as Christy has pointed out, some of these - including the above three - receive considerable support from more prosperous

1. The use of sonar in fish location, mechanisation of net handling, new types of nets, new synthetic fibres for net construction and new freezing and processing techniques are only a few examples of this technological revolution. See the section on 'Technological Factors' in A.W. Koers *International Regulation of Marine Fisheries*, Fishing News (Books) Ltd., London, 1973.

2. It should be pointed out that this thesis refers only to *marine*, or oceanic, fisheries. It does not, therefore, consider a third possible category - the inland fishing states.

3. Throughout this thesis the terms 'coastal fishing state' and 'coastal state' are considered synonymous.

4. The distant-water component of the American fishing fleet is mainly that of the tuna vessels operating in the Pacific.

countries. 'Cuba has been supported in its effort by the Soviet Union, while South Korea and Taiwan have apparently received capital and technology from Japan, which is taking advantage of their lower labour costs.'<sup>1</sup>.

It should also be noted that not all coastal states belong to the Third World. For example, Australia and New Zealand - countries with relatively high per capita GNPs and which are members of the Organisation for Economic Cooperation and Development - do not possess fishing vessels with true distant-water fishing capabilities.

A distant-water fishing state and a coastal fishing state may usually be distinguished one from the other in terms of their different capabilities and performance. The following paragraphs identify these differences in such areas as: fleet size and composition, size of fish catch, trade and consumption of fish, and their impact on fish stocks.

The DWFS generally have larger fishing fleets in terms of total gross tonnage - comprising vessels of larger average size - than those of the coastal fishing states. In 1977 the Soviet Union headed the list of fishing fleet tonnages with some 6.4 million GRT, no less than 53 percent of the world total of 12.2 million GRT.<sup>2</sup> Japan was second with 1.2 million GRT. Of the top ten fishing fleets, no less than eight (USSR, Japan, Spain, the United States, Poland, Norway, the United Kingdom, and France) were DWFS from the industrial countries, the other two (South Korea and Panama) were DWFS from the Third World. (See Table 1.) At the other end of the scale, the fishing fleets of some of the coastal states are very small. In the South Pacific, for example, Australia in 1977 boasted a total fleet of 18,344 GRT; New Zealand 4,180; Fiji 306; and Tonga a mere 101 GRT.

Again, in terms of vessel sizes, the difference between the DWFS and the coastal states is great. At its extreme, one may compare the Russian factory ship *Rybak Latvii* (a Polish-built B69 class vessel) of 13,000 tons, with a one-man outrigger canoe working the reefs of some South Pacific atoll. But even in terms of average size the

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1. Francis T. Christy, Jr., 'Transitions in the Management and Distribution of International Fisheries', *International Organisation*, Vol.31, No.2, Spring, 1977, p.245.

2. All statistics in this paragraph are taken from *Statistical Tables 1977*, Lloyd's Register of Shipping, London, November, 1977.

TABLE 1. MAJOR FISHING FLEETS IN 1977 ('000 TONS GROSS)

Soviet Union	6,440
Japan	1,159
Spain	594
United States	435
Poland	353
South Korea	294
Norway	223
United Kingdom	198
France	196
Panama	156
Others	2,114
Total World	12,162

Source: *Statistical Tables 1977*, Lloyd's Register of Shipping, London, November, 1977, p.p.10-12.

Note: Including fishing factories, carriers, trawlers, and fishing vessels.

TABLE 2. NUMBER OF TRAWLERS AND FISHING VESSELS IN LARGER TONNAGE DIVISIONS, BY FLAG IN 1977

Country	1,000-1,999GRT	2,000-3,999GRT	4,000+GRT
Soviet Union	140	734	29
Japan	46	45	10
Poland	29	72	0
South Korea	12	6	6
Romania	0	30	0
Spain	78	12	0
United States	40	2	0
Others	241	123	2
Total World	587	1,024	47

Source: *Statistical Tables 1977*, Lloyd's Register of Shipping, London, November, 1977, p.p.58-59.

difference is striking. Some 61 per cent of the total tonnage of the Japanese fishing fleet in 1976, for example, is made up of vessels 50 GRT or more, and no less than 27 per cent of the tonnage comprised vessels in excess of 500 GRT.<sup>1</sup> By contrast, in 1975 the New Zealand fishing industry had only 57 vessels between 50 and 150 GRT and only three in excess of 500 GRT.<sup>2</sup> A glance at Table 2 reveals that it is the DWFS which own the very largest fishing vessels.

The DWFS' dominance in catching capacity is reflected in their catching performance. The FAO has observed that the rapid increase in world catches - which rose from 25 million metric tons in 1952 to 73.5 million metric tons in 1976 - has been achieved largely through the activities of long-range vessels.<sup>3</sup> This is reflected in the world fish catch returns for 1976, where a disproportionately large share of the total was held by DWFS. Table 3 shows how Japan maintained its position as the world's largest fishing nation, catching some 10.6 million metric tons, or about one seventh of the total. The USSR, another major DWFS, was second with 10.1 million MT.<sup>4</sup>

Of course, not *all* of a distant-water fishing state's catch comes from distant waters. But usually a large percentage of it does. In the case of Japan, for example, of a total marine catch of 9.6 million MT no less than 3.5 million MT (or 36.5 per cent) came from within the 200-nautical mile offshore areas of other countries.<sup>5</sup>

The FAO statistics reveal that the DWFS are generally found near the top of the table of fish catches by volume, while the coastal states tend to fill the lower places. (It may be noted that Australia and New Zealand occupied 60th and 72nd positions respectively

1. *Fisheries Statistics of Japan, 1976*, Statistics and Information Department, Ministry of Agriculture, Forestry and Fisheries, Government of Japan, Tokyo, 1978, p.29.

2. *Review of Fisheries in OECD Member Countries 1975*, OECD, Paris, 1976, p.156.

3. See 'Introduction' *Atlas of the Living Resources of the Seas*, FAO Department of Fisheries, Rome, 1972.

4. It should be noted that China, which holds third position in the table, includes the catch of Taiwan (which makes up about 10 per cent of the total); further, about 60 percent of China's catch comes from fresh water. It should also be noted that Peru, which holds fourth place, does so by virtue of its catch of anchoveta - a very low value fish.

5. *Gyogyō Hakusho, 1977 (Fisheries Whitepaper, 1977)* Nōrin Tōkei Kyōkai, Tokyo, 1978, p.19. This figure does not include that part of the distant-water catch caught in areas of high seas lying outside these 200-mile offshore areas. This subject is treated more thoroughly later.

TABLE 3 NOMINAL CATCHES BY COUNTRIES ARRANGED BY 1976 CATCH SIZE  
(LISTING ONLY THOSE COUNTRIES WITH A CATCH OF  
500,000 METRIC TONS OR MORE)

Country	Rank	1973 MT	1974 MT	1975 MT	1976 MT
Japan	1	10747700	10804586	10524204	10619917
USSR	2	8618800	9235594	9935606	10133670
China	3	6880000F	6880000F	6880000F	6880000F
Peru	4	2328500	4144858	3447490	4343125
Norway	5	2987400	2644930	2550438	3435256
USA	6	2718800	2743854	2742703	3003901
Korea Rep	7	1683800	2023414	2133371	2406685
India	8	1958000	2255313	2328000	2400000
Denmark	9	1464700	1835370	1767039	1911637
Thailand	10	1678800	1515500	1552984	1640396
Spain	11	1578000	1510084	1523092	1483162F
Indonesia	12	1265200	1336267	1381614	1448000
Philippines	13	1250600	1297796	1366087	1429811
Chile	14	691000	1158240	929458	1264214
Canada	15	1157400	1036571	1028722	1135701
Vietnam	16	1013500F	1013500F	1013500F	1013500F
Iceland	17	901800	944849	994791	986137
Brazil	18	703500	765499	836000F	950000F
France	19	822900	807507	805785	805925
Korea D.P.RP.	20	800000F	800000F	800000F	800000F
Poland	21	579600	678954	800737	750072
Bangladesh	22	640000F	640000F	640000F	640000F
South Africa	23	710100	648453	636119	638035
Namibia	24	709700F	840426F	760875F	574179F
Mexico	25	479400	442062	499345	572285
UK EngldWal	26	557000	533822	496814	520225
UK Scotland	27	561800	537874	467783	513935
Burma	28	463400	433840	485140	501560

#### 1976 Totals

28 countries 62,801,428 MT  
 Other countries 10,665,572 MT  
 World Total 73,467,000 MT

Source: *FAO Yearbook of Fishing Statistics: Catches and Landings, 1976*, Vol.42, Rome, 1977.

Notes: F = FAO estimate,  
 China includes Taiwan.  
 These catches include inland fisheries.

on the list of 223 countries/territories in 1976.)<sup>1</sup>.

In terms of value of catches, the DWFS in general do much better than the coastal states. Marriot has calculated the value of fish catches for different countries in 1973. China (including Taiwan, a DWFS) topped the list with a catch valued at US\$3,408 million,<sup>2</sup> but Japan was a close second with \$3,372 million, and the USSR was third at \$3,017 million. Of the 15 countries which caught in excess of \$300 million worth of fish in 1973 no less than nine were DWFS from the developed world.<sup>3</sup> (It may be noted that in terms of *value per ton* Australia easily topped the list at \$979.8. This may be attributed to the large percentage of Australia's total catch occupied by high value rock lobsters and prawns.)

The DWFS also tend to have a disproportionately large share of the overall global trade in fish. Much of the catch landed by fishermen in the less developed coastal states is destined for use in the industrialised states - many of which have distant-water fishing fleets. Writing in 1973, Pruter observed that 'The largest market for fish meal and frozen fish, which together now account for 51 per cent of the world catch, is in developed countries.'<sup>4</sup> It is noteworthy that many of the developed countries which have distant-water fleets are net *importers* of fish (see Table 4).

TABLE 4. IMPORTS AND EXPORTS OF FISH AND FISH PRODUCTS BY SELECTED COUNTRIES IN 1975 (VALUE US \$ MILLION)

Country	Imports	Exports
United States	1637.1	304.7
Japan	1326.0	582.0
France	464.6	96.8
United Kingdom	471.0	144.8
Italy	275.4	34.9

Source: *Review of Fisheries in OECD Member Countries, 1975*, OECD, Paris, 1976, p.30.

1. *FAO Yearbook of Fishing Statistics: Catches and Landings, 1976*, Vol. 42, Rome, 1977, p.11.

2. Note, all currency values in dollars refer to dollars US unless otherwise stated.

3. See Alan Marriot 'The Value of Fish Catches' *Fishing News International*, Vol. 16, No.9, September, 1977, p.p.47-48.

4. A.T. Pruter 'Fisheries Uses of the Sea' in Samuel Goldberg, (ed.) *Local Impacts of the Law of the Sea*, University of Washington, Seattle, 1973, p.22.



These trade figures reflect the differences in fish consumption patterns between the developed countries (many of which have distant-water fleets) and the less developed countries (most of which are coastal fishing states). While the developed countries produce somewhat more fish than the LDCs, the former group of countries consume - either as human food or as cattle feed - twice the amount used by the latter. On a per capita basis, the people in developed countries use about five times as much fish as people in developing countries.<sup>1</sup>

The DWFS and the coastal states also differ greatly with respect to their scientific and technological investments in the industry. In the field of fisheries research the DWFS generally have: sophisticated laboratories both ashore and afloat, a large body of trained fisheries scientists, fisheries colleges and universities, and large budgets to fund these projects. In Japan, for example, a single arm of the government bureaucracy - the Fisheries Agency of the Ministry of Agriculture, Forestry and Fisheries - has a technical staff of 477, and an administrative staff of 1,466.<sup>2</sup>

This investment in fisheries technology by the DWFS is also reflected in the design and equipment of their fishing vessels. A member of the Australian Fishing Industry Mission to Japan in 1978 commented on the comprehensive and complex nature of electronic equipment found on some larger Japanese fishing vessels.

'A typical vessel would be fitted with Omega or satellite navigation plotter with a computer, a Loran C plotter, HF radio (40 - station), VHF 27MHz, RDF HF, 27MHz, radio marker buoys, FAX receiver for daily weather charts, fisheries newsletter and fish prices, 100-mile radar, 32-mile radar, sonar, a selection of sounders, unit type wheel console, including gyro repeater, pilot log, all of which are fed to plotters.'<sup>4</sup>

This section concludes with a very brief consideration of the different impacts these two groups have had on fish stocks and on

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1. See A.T. Pruter *op.cit.*; Sidney Holt *Food from the Oceans*, Conference on the New International Economic Order and the Law of the Sea, February, 1976; and Clarence P. Idyll *The Sea Against Hunger: Harvesting the Oceans to Feed A Hungry World*, Crowell, New York, 1970.

2. See *Australian Fisheries*, Vol.37, No.9, September, 1978, p.11.

3. See W.M. Chapman 'The Theory and Practice of International Fishery Development-Management' *San Diego Law Review*, 1970.

4. John Fitzhardinge 'Inshore and Distant Water Fishing Vessels' *Australian Fisheries*, Vol.37, No.9, September, 1978, p.5.

each other's operations.

The DWFS, with their large catching capacity and their great mobility, share major responsibility for the overexploitation of many of the world's important fish stocks. Unlike the coastal states, the DWFS are capable of moving on to other areas or species if a specific stock no longer yields acceptable catches. The DWFS have, in fact, frequently adopted pulse-fishing techniques, under which stocks were knowingly overfished until they were no longer profitable, at which point the fishermen moved on to other stocks. Some of the major fisheries which have declined significantly as a result include: the Northwest Pacific salmon, the Atlanto-Scandian herring, the Barents Sea cod, the Newfoundland cod, Bering Sea flatfishes, and yellowfin tuna in the eastern Pacific.<sup>1</sup> The coastal fishing states, because they lack the mobility of the DWFS, have generally demonstrated a stronger interest in limiting catches to the level of maximum sustainable yield.<sup>2</sup>

Needless to say, the impact of the DWFS on the operations of the coastal fishing states has been much greater than the reverse situation. With their fishing capabilities and mobility, and assisted (at least until recently) by a liberal Law of the Sea regime, the DWFS have been able to operate close to the shores of many other States. This they have done, sometimes in competition for prime fish stocks with the coastal fishermen. (The coastal fishing states, on the other hand, do not have the capability to send *their* fishing vessels to fish the coasts of far off DWFS.) Often, however, there is no direct competition between the two groups. Such is the case when the DWFS are operating in mid-ocean - far out of range of the coastal operators; or when the distant-water vessels are fishing for fish species as yet unused by the coastal fishermen.<sup>3</sup>

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1. A very large number of works examine this problem, see for example: Arthur Bourne 'The Oceans - a Conflict of Interests' *Ocean Resources and the Ocean Environment*, San Francisco, 1974; D.L. McKernan 'International Fishery Regimes - Current and Future' in L.M. Alexander, (ed.) *The Law of the Sea: National Policy Recommendations*, Kingston, R.I., 1970; Ian Payne 'Crisis in World Fisheries' *New Scientist*, Vol.74, No.1053, 26 May, 1977; and Brian J. Rothschild (ed.) *World Fisheries Policy: Multidisciplinary Views*, University of Washington Press, Seattle, 1972.

2. See A.W. Koers *op.cit.*, p.51. It should be pointed out, however, that examples may be given where the coastal fishing states have also overexploited local fish stocks.

3. There is always the danger, however, that even with unshared stocks the activities of one fleet may disadvantage the other - as, for example, when one fleet takes the main source of food for the fish harvested by the other fleet.

## Recent Developments in the Law of the Sea

Over the years, many of the coastal fishing states increasingly recognised that the activities of DWFS off their shores seriously impeded the successful growth of their own fishing industries. They came to realise that, if the worst excesses of the foreign fishermen were to be curbed and the domestic fishing industry be allowed to develop, changes would have to be made to the Law of the Sea which had traditionally permitted almost total freedom of fishing operations for all fishermen. This section traces the history of their efforts in this area. Emphasis will be given to the most recent developments in the Law of the Sea - particularly those deliberations at UNCLOS III touching upon the introduction of 200-mile exclusive economic zones and the respective legal rights and obligations of the DWFS and the coastal states. Emphasis will also be given to the coastal states' objectives in seeking extended fishing zones.

For centuries the world's oceans were regarded as belonging to no one. Beyond a narrow strip of territorial waters lay the high seas where freedom, in theory, reigned. The principle of freedom of the seas may be traced back to the early seventeenth century when the Dutch lawyer,<sup>1</sup> Hugo Grotius, asserted that the ocean must be held free for common use. Grotius viewed the 'boundless ocean' as indivisible, open and intangible. He asserted

' The ocean which encompasses the terrestrial home of mankind with the ebb and flow of its tides... cannot be held or enclosed, being itself the possessor rather than the possessed... Most things become exhausted with promiscuous use. This is not the case with the sea. It can be exhausted neither by fishing nor by navigation: that is to say, in the two ways in which it can be used.'<sup>2</sup>

The principle of the freedom of the seas remained virtually unchallenged until well into the present century. While many countries followed the American example (set in 1793) of asserting absolute sovereignty over a narrow strip of water which acted as a buffer zone

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1. Although it can be claimed that the principle of the freedom of the seas goes back at least to the times of ancient Rome.

2. See Chapter V of Ralph van Deman Magoffin's translation of Hugo Grotius' 'Mare Librum' in *The Freedom of the Seas*, Oxford University Press, New York, 1916.

between land and sea, the width of this zone (the territorial sea) was rarely more than three miles.<sup>1</sup> Much of the world's oceans was, therefore, high seas where the vessels of all countries were, in law, free to go and do as they please subject only to a reasonable regard for the interests of other States in the exercise of the same freedom.

Over the past few decades, however, the assumptions on which the principle of freedom of the seas is based were seen to be increasingly obsolescent. It had become obvious, for example, that the living resources of the sea are not inexhaustible and that they can be depleted. In an historic announcement, President Truman in 1945 declared that the United States would in future exert jurisdiction and control over 'the natural resources of the subsoil and seabed of the continental shelf beneath the high seas but contiguous to the coast of the United States.'<sup>2</sup> While this decision was prompted primarily by a desire to establish claim to rich reserves of hydrocarbons lying offshore continental America, the President also proclaimed the establishment of US-controlled fish conservation zones in these same areas.

Comparable claims by other States followed. Unilateral bids were made by a number of countries to the living and mineral resources off their coasts. For example, in 1946 Chile and Peru made unilateral claims of 'protection and control' out to a distance of 200-nautical miles to reserve for their exclusive use the rich offshore anchovy fishery. As Traavik reminds us 'The Truman Declaration in effect constituted the opening of a legal Pandora's box,'<sup>3</sup> as more and more countries were attracted to making unilateral claims over the living and mineral resources lying outside their territorial seas. This development raised the prospects of what Beeby has described as 'a new variety of colonial scramble involving international tensions and

1. There were, however, other cases where the principle of the freedom of the seas was breached. Brown and Fabian, for example, note how in the eighteenth century Britain claimed extended zones for the capture of smugglers, and how some coastal states in the nineteenth century sought extended customs and sanitary boundaries. See Seyom Brown and Larry L. Fabian, 'Diplomats At Sea', *Foreign Affairs*, Vol.52, No.2, January, 1974.

2. 'Proclamation by President Truman of 28 September 1945' in Shigeru Oda *The International Law of the Ocean Development: Basic Documents*, Sijthoff, Leiden, 1972, p.341.

3. Kim Traavik 'The Conquering of Inner Space; Resources and Conflicts on the Seabed', *Cooperation and Conflict*, Nos.2 and 3, 1974, p.9.

even the possibility of open conflict among states'.<sup>1</sup> Obviously the time had come for the nations of the world to sit down together and rethink the whole question of freedom and jurisdiction of the seas.

The first United Nations Conference on the Law of the Sea (UNCLOS I) was held in Geneva in 1958, with 86 nations participating. It succeeded in codifying four Conventions: the Convention on the Territorial Sea and the Contiguous Zone, the Convention on the High Seas, the Convention on Fishing and Conservation of the Living Resources of the High Seas, and the Convention on the Continental Shelf.

With respect to the Convention of the Territorial Sea and the Contiguous Zone, the Conference recognised that the sovereignty of a State extends to a belt of sea adjacent to its coast, described as the territorial sea. The contiguous zone was defined as an area that may not extend beyond 12 miles from the coastline from which the width of the territorial sea is measured.<sup>2</sup> The Conference was unable, however, to agree on the breadth of the Territorial Sea. The developing countries generally supported a 12-mile territorial sea, as opposed to the 3- or 6- mile limit supported by many of the advanced maritime nations<sup>3</sup> at the Conference.

The Convention on the High Seas defines the high seas as all parts of the sea not included in the territorial sea or in the internal waters of a State. It provides for freedom of navigation, fishing, laying pipelines and cables, and overflight.

The Convention on Fishing and Conservation of the Living Resources of the High Seas provides that all States have the right for their nationals to engage in fishing on the high seas, but States also have a duty to adopt measures for the conservation of the living resources of the high seas.

The Convention on the Continental Shelf recognised the sovereign rights of coastal states over the continental shelf for the purpose of exploring it and exploiting its natural resources.

1. C.D. Beeby 'The United Nations Conference on the Law of the Sea: A New Zealand View' *Pacific Viewpoint*, Vol.16, No.2, September, 1975, p.117.

2. In the contiguous zone the coastal state could exercise the control necessary to prevent infringement of customs, fiscal, immigration or sanitary regulations.

3. See Shigeru Oda 'Towards a New Regime for Ocean Development - Japan's Position' *The Law of the Sea - I; New Developments 1966-1975*, Publications on Ocean Development, Vol.3, Sijthoff, Leiden, 1977, p.232. Oda there observes that the developing coastal states wanted such extensions of their national jurisdiction in order to 'fence in' the resources of their broad offshore areas which were being exploited by fishermen of the advanced nations.

The Second Conference on the Law of the Sea (UNCLOS II) was held in 1960 to consider further the questions of the breadth of the territorial sea and fishery limits, which had been left unsettled by UNCLOS I. In this, the Second Conference was no more successful than the First. Oda notes that what followed was a 'proliferation of fishing zones, which then became a distinct concept of its own, independent of the territorial sea regime'.<sup>1</sup> Many countries, including some of the DWFS (for example, the United States and the United Kingdom) adopted 12-mile fishery zones in the mid-1960s.

By the late 1960s many States were pressuring for the convening of a Third United Nations Conference on the Law of the Sea. Not only did they wish to resolve the vexed question of the breadth of the territorial sea, but they desired to address some new issues that had arisen during the decade. These included questions concerning: disputes between countries over fishing rights; increased insistence by many nations on the economic importance of their coastal and offshore resources - including offshore oil and minerals;<sup>2</sup> the hazards of using the seas as dumping grounds; and the desire by many newly independent States to have a voice in the drafting of a Law of the Sea.

In the year or two preceding the First Session of UNCLOS III (held in New York in late 1973), a number of coastal states had looked into the question of establishing much wider fishing zones than those then commonly in existence. Oda claims that the concept of the exclusive economic zone (EEZ) was introduced for the first time in a clearly defined form by the representative of Kenya at the annual meeting of the Asian-African Legal Consultative Committee held in Lagos in January 1972, where

' A width of 200 miles from the coastline was explicitly mentioned in this regard. It soon became apparent that the proposal could command wide support from many of the developing nations of Asia and Africa.'<sup>3</sup>

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1. *Ibid.*, p.235.

2. It was this issue which inspired the Maltese representative at the 1967 session of UNGA - Arvid Pravo - to call for international action to regulate uses of the sea-bed, and which was the prime reason for the convening of UNCLOS III. See *General Assembly Resolution 2750 C (XXV)*, adopted 17 December, 1970.

3. Shigeru Oda 1977 *op.cit.*, p.235.

At this point it might be useful to determine what these, and other, coastal states were seeking to achieve through the establishment of 200-mile fishing (or exclusive economic) zones.

It will be recalled from the Introduction that New Zealand had, at about this time, given *its* reasons for supporting the establishment of wide fishing zones.<sup>1</sup> In very broad terms, New Zealand declared that these zones were necessary to protect both local fish stocks and the domestic fishing industry from the operations of DWFS. Without question a majority of coastal states shared these objectives. Digressing a little from the subject of the Law of the Sea, the next few paragraphs will examine these, and other, fisheries management objectives in greater detail and determine how the establishment of 200-mile zones might assist in their attainment.

A very large body of literature exists on the subject of fisheries management.<sup>2</sup> Not only do these works testify to the very wide range of management objectives, but they also identify several key objectives which are commonly found on the list of fisheries management priorities in many States. These include: conservation - that is the avoidance of biological depletion of a fish stock; taking the maximum sustainable yield (MSY); taking the maximum or optimum economic yield; increasing protein production; reducing fish imports; increasing fish exports; maximising employment; and improving maritime skills.<sup>3</sup> (Needless to say, some of these objectives contain a degree of incompatibility; and, in fact, conflicting aims can be distinguished in many countries' fisheries policies.)

1. See page 14 above.

2. A few of these works may be cited here: J.A. Gulland *The Management of Marine Fisheries*, Sciencetechnica (Publishers) Ltd., Bristol, 1974; Francis T. Christy Jr., *Alternative Arrangements for Marine Fisheries: An Overview*, Resources for the Future, Inc., Washington, D.C., May, 1973; Francis T. Christy Jr., and A.D. Scott *The Commonwealth in Ocean Fisheries*, John Hopkins Press, Baltimore, 1965; and Albert W. Koers *International Regulation of Marine Fisheries, A Study of Regional Fisheries Organisations*, Fishing News (Books) Ltd., London, 1973.

3. In this context it might be interesting to examine the results of a survey conducted by the Food and Agricultural Organisation (FAO) of 25 countries in the Indo-Pacific region in 1974 concerning their objectives in developing fisheries. The respondents gave as some of their major objectives: to produce enough fish for domestic requirements; to develop exports; to improve the socio-economic conditions of fishermen; to introduce modern equipment and develop distant-water fisheries; to create employment (not necessarily only of fishermen); to evaluate fish potential; and to conserve stocks. See Rowena M. Lawson 'Incompatibilities and Conflicts in Fisheries Planning in Southeast Asia' *Southeast Asian Journal of Social Science*, Vol.6, Nos.1-2, 1978.

Many of the coastal fishing states felt that these objectives were being frustrated by the activities of DWFS off their shores. The foreign fishermen often overexploited the offshore stocks - including some of the prime species - well above the MSY, and contributed to (or were solely responsible for) the decline of some important local fisheries. Even where the DWFS did not overexploit the fish, they often adversely affected the profitability of local fishing enterprises; for the greater the amount of some fish stock caught by the foreigners the less there was available to the locals, and the lower the returns per unit of effort for all. By reducing the stocks of fish available to the local industry, the DWFS also reduced the coastal state's capacity to: increase its protein production; provide further employment either directly in fishing or in ancillary and related industries;<sup>1</sup> boost its balance of payments through increased fish exports and/or reduced fish imports; and so on. All these factors were especially important for the poorest coastal states.

There were other, more abstract, reasons why some coastal states sought increased jurisdiction over their offshore areas. Not a few countries were attracted to the concept for matters of national pride where national 'borders' would be greatly enlarged. For others, the question of offshore sovereignty was but part of the broader debate at that time concerning the establishment of a New International Economic Order, which was to be based

' on equity, sovereign equality, interdependence, common interest and cooperation among all States, irrespective of their economic and social systems which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and developing countries and ensure steadily accelerating economic and social development and peace and justice for present and future generations.'<sup>2</sup>

It was felt that the establishment of 200-mile exclusive economic (or fishery) zones would solve many of these problems, for the coastal states would, for the first time in history, have the legal right to

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1. For a more detailed consideration of this question see Rowena M. Lawson *ibid*, p.p.125-9; J.A. Gulland *op.cit.*, p.106; and Andres Von Brandt 'The Mini Fishermen' *Fishing News International*, Vol.17, No.3, March, 1978, p.48.

2. *United Nations General Assembly Resolution 3201 (S-VI)*. See also Robert L. Friedheim 'Case Study: The "Satisfied" and "Dissatisfied" States Negotiate International Law' in L.B. Miller (ed.) *Dynamics of*



determine which countries - if any, and under what conditions - should be permitted to fish in their offshore waters.

One of the earliest and clearest statements from the coastal states on the subject of the 200-mile EEZ appeared in the summer of 1972, at the Geneva session of the Seabed Committee, when Australia and New Zealand submitted a working paper in preparation for UNCLOS III.<sup>1</sup> The first of the 15 principles set out in the paper declared

' The coastal state shall have exclusive jurisdiction, in accordance with the principles elaborated herein, over the living resources of the sea in an adequately wide zone of the high seas adjacent to its territorial sea.'

It appears that the 'adequately wide zone of the high seas' was considered by New Zealand to be a 200-nautical mile zone, and by Australia the superjacent waters of the continental shelf.<sup>2</sup>

This joint working paper did not, however, represent an extreme coastal state view, but was intended to narrow the gap between the position of the DWFS and the coastal states with respect to the principles for a fisheries regime. This was demonstrated in Principle 5 of the paper, which stated

'Where the coastal state is unable to take 100 per cent of the allowable catch of a species as determined under the principles, it shall allow the entry of foreign fishing vessels with a view to maintaining the maximum food supply.'

The Australia/New Zealand working paper seems to have been influential, for the concept of the EEZ, as it has emerged from each of the major UNCLOS drafts - from the 'Trends Paper' prepared at Caracas in 1974, through the Informal Single Negotiating Text of 1975, the Revised Single Negotiating Text of 1976, and the current Informal Composite Negotiating Text (ICNT) of 1977 - bears the imprint (in

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*World Politics: Studies in the Resolution of Conflict*, Prentice-Hall, Inc., New Jersey, 1968.

1. A/AC 138/SC II/L.11: *Principles for a Fisheries Regime* (Australia and New Zealand) 11 August, 1972.

2. See Shigeru Oda, 1977 *op.cit.*, p.236.

somewhat altered form) of many of its principles.<sup>1.</sup>

Before examining the ICNT in detail, it might be worth discussing its present legal status. This Text, like those before it, is in effect a draft for inclusion in a new Law of the Sea Convention. As yet no new Law of the Sea Treaty has been approved or signed. It might be argued, therefore, that as there is no treaty the proposals for the EEZ are not yet part of international law. But that would be an excessively formal statement of the situation, for there has been a simultaneous collateral development of customary international law where many coastal states have unilaterally claimed 200-mile EEZs<sup>2.</sup> and have made their claims not in deliberate violation of the law but in the belief that the emerging law supports such claims.<sup>3.</sup> The fact that those States which have claimed exclusive economic zones include not only coastal fishing states but also most of the major DWFS and maritime States - for example, Japan, the Soviet Union and the United States - gives further legitimacy to the concept of the 200-mile exclusive economic zone.

Those sections of the ICNT of most interest to fishermen and fisheries administrators are found in Part V, which deals with the establishment of exclusive economic zones. But the whole of Part V will not be examined here. As mentioned above, the main purpose of this section is to identify the respective legal rights and obligations of the DWFS and the coastal states with respect to fisheries. Only relevant sections of certain Articles of the ICNT will, therefore, be presented.

1. A very large number of works have examined both the historical background to, and the deliberations at, UNCLOS III; a few of which might be cited: Robert L. Friedheim 'A Law of the Sea Conference: Who Needs It?' *Development Digest*, Vol.11, No.2, April, 1973; J.K. Gamble and G.Pontecorvo (eds.) *Law of the Sea: The Emerging Regime of the Oceans*, Ballinger Publishing Co., Camb. Mass., June, 1973; Evan Luard 'The Law of the Sea Conference' *International Affairs*, Vol.50 No.2, April, 1974; Seyom Brown and Larry L. Fabian 1974 *op.cit.*; C.D. Beeby, *op.cit.*; Ann L. Hollick 'What to Expect from a Sea Treaty' *Foreign Policy*, No.18, Spring, 1975; John Temple Swing 'Who Will Own the Oceans?' *Foreign Affairs*, Vol.54, April, 1976; J.I. Charney 'Law of the Sea: Breaking the Ocean Deadlock' *Foreign Affairs*, Vol.55, 1977; Shigeru Oda, 1977 *op.cit.*; Elizabeth Mann Borgese and Arvid Pardo 'Ocean Management' in T. Tinbergen (coordinator) *Reshaping the International Order: A Report to the Club of Rome*, Hutchison, London, 1977; E. Miles (ed.), 'Special Issue: Restructuring Ocean Regimes' *International Organisation* Vol.31, 1977; and R.O. Keohane and J.S. Nye, Jr., 1977 *op.cit.*

2. The following section examines this development in greater detail.

3. The international lawyer E. Lauterpacht discusses this subject at some length in 'International Legal and Political Factors Affecting the Exploitation of Australia's Offshore Resources', in G.W.P. George (ed.) *Australia's Offshore Resources: Implications of the 200 Mile Zone*, papers delivered at the meeting of the Science and Industry Forum of the Australian Academy of Science, 23-24 September, 1977, Canberra.

Article 55 refers to the specific legal regime of the exclusive economic zone. It is somewhat of a preamble, and reads in full:

' The exclusive economic zone is an area beyond and adjacent to the territorial sea, subject to the specific legal regime established in this Part, under which the rights and jurisdictions of the coastal State and the rights and freedoms of other States are governed by the relevant provisions of the present convention.'

Article 56 refers to the rights, jurisdiction and duties of the coastal state in the EEZ. It reads in part:

'1. In the exclusive economic zone, the coastal State has: (a) Sovereign rights for the purpose of exploring and exploiting, conserving and managing the natural resources, whether living or non-living of the sea-bed and subsoil and the superjacent waters ...'

This Article clearly establishes that the coastal state has sovereign - that is, above or superior to all others - rights in the EEZ.

Article 61 concerns the conservation of living resources. The coastal state is given the important right and duty of determining the allowable catch of the living resources in its EEZ. This Article also charges the coastal state to ensure that the maintenance of the living resources in the exclusive economic zone is not endangered by overexploitation. In Paragraph 3 it goes on to say that:

' Such measures shall also be designed to maintain or restore populations of harvested species at levels which can produce the maximum sustainable yield, as qualified by relevant environmental and economic factors, including the economic needs of coastal fishing communities and the special requirements of developing countries ...'

This Article is obviously weighted in favour of the coastal state. First, while the coastal state is obliged to take into account the best scientific evidence available to it - including data from DWFS operating in the EEZ - in setting the level of allowable catch, the coastal state has final authority in deciding what this level shall be. Second, the qualifications in Paragraph 3 concerning the economic needs of coastal fishing communities and the special requirements of developing countries, offers scope for very broad interpretation, and can be used by the coastal state in a discriminatory manner against the DWFS.

It is Article 62 - that concerning the utilisation of the living resources - which warrants the closest examination. It will be treated in detail, paragraph by paragraph. Paragraph 1 states:

' The coastal state shall promote the objective of optimum utilisation of the living resources in the exclusive economic zone without prejudice to Article 61.'

This paragraph is more or less meaningless as neither here, nor elsewhere, in the Text is there a definition of 'optimum utilisation.' In fact the paper produced by the Working Group of the Australian Fisheries Council picks up this point and comments:

' It is significant that the ICNT does not attempt to elaborate on the meaning of the objective 'optimum utilisation' and its definition is left to the discretion of the coastal state. Accordingly, the utilisation of fish stocks within an Australian 200 mile fishing zone may be set at a level that is compatible with any reasonable management objective Australia wishes to pursue whilst keeping within the spirit of Article 61 of the ICNT'.<sup>1</sup>

Paragraph 2 of Article 62 states in part:

' The coastal state shall determine its capacity to harvest the living resources of the exclusive economic zone. When the coastal state does not have the capacity to harvest the entire allowable catch, it shall ... give other States access to the surplus of the allowable catch.'

Again the coastal state is given final discretion, this time with respect to determining its capacity to harvest the fish in the EEZ. Obviously, the greater the coastal state judges its catching capacity the less surplus is available to other States.

Paragraph 3 qualifies Paragraph 2. It states in part:

' In giving access to other States to its exclusive economic zone ... the coastal state shall take into account all relevant factors, including ... the significance of the living resources of the area to the economy of the coastal state and its other national interests ... the requirements of developing countries in the subregion or region in harvesting part of the surplus and the need to minimise economic dislocation in States whose nationals have habitually fished in the zone or which have made substantial efforts in research and identification of stocks.'

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1. *The 200 Mile Australian Fishing Zone*, A Report of the Working Group established by the Australian Fisheries Council, November, 1977, p.11.

This Paragraph provides further opportunities for those coastal states which wish to prevent, or otherwise control, DWFS access to their EEZs. First, the so-called relevant factor 'other national interests' gives the coastal state considerable scope for shutting out foreign fishing vessels. Second, the provision to provide access to 'States whose nationals have habitually fished in the zone' is, at best, rather vague. The coastal state may have a very different conception of 'habitually' than the DWFS - with the former thinking in terms of a much longer time-span than the latter. It is interesting, in this respect, to compare the wording of the ICNT with that of Principle 7 in the Australia/New Zealand working paper which seemed to interpret 'habitually' as fishing carried on in the EEZ on a substantial scale for a period of not less than 10 years.

Neither can the DWFS be any more hopeful of obtaining access on the basis of having made 'substantial efforts in research and identification of stocks'. The coastal state and the DWFS might well disagree over what constitutes a 'substantial' effort. Further, the coastal state may charge that, while the DWFS had obviously made significant efforts in research and identification of stocks, not all of this information had been made available to it - the coastal state.

The coastal states are additionally protected in Paragraph 4, which emphasises

' Nationals of other States fishing in the exclusive economic zone shall comply with the conservation measures and with the other terms and conditions established in the regulations of the coastal state.'

This Paragraph goes on to outline some of these regulations, which may include *inter alia*: the licensing of fishermen, fishing vessels and equipment - including payments of fees; determining the species which may be caught, and fixing quotas of catch; regulating seasons and areas of fishing; requiring, under the authorisation and control of the coastal state, the conduct of specified fisheries research programmes; terms and conditions relating to joint ventures; fixing the age and size of fish and other species that may be caught; and so on. It would appear, therefore, that there is no single aspect of the fishing operations themselves that is not covered under the proposed fisheries regulations.

Article 64 relates to the conservation and utilisation of highly migratory species (HMS). It urges the coastal state and other States whose nationals fish in the region for HMS to

' Cooperate directly or through appropriate international organisations with a view to ensuring conservation and promoting the objective of optimum utilisation of such species throughout the region, both within and beyond the exclusive economic zone.'

It goes on to say that where no appropriate international organisation exists, then the coastal state and other States whose fishermen harvest the HMS shall cooperate to establish such an organisation and shall participate in its work.

Article 73 of the ICNT refers to the enforcement of laws and regulations of the coastal state. The coastal state is given the right to take 'such measures including boarding inspection, arrest and judicial proceedings' to ensure compliance with these laws and regulations.

In summary, should the ICNT be passed into law or otherwise be widely accepted by the international community (as now appears very likely) the coastal states would enjoy important new powers governing the ownership and management of offshore living resources. This said, it would be an exaggeration to say that coastal states would enjoy the same rights with respect to the ownership and exploitation of the living resources within their EEZs as they do over the resources lying on and within their territories. As the above paragraphs indicate, the coastal states also have certain duties to fulfil - not least of which are their obligations concerning the 'optimum utilisation' of the living resources, and the 'need to minimise economic dislocation in States whose nationals have habitually fished in the zone'.

#### Distant-Water Fishing State Sensitivity to Extended Fishing Zones: With Special Reference to Japan

The DWFS have good reason to view with concern the establishment of extended fishing zones in different parts of the world. It has been variously estimated that should all littoral States<sup>1</sup> establish such zones, some 35 per cent of the world's high seas, 90 per cent of its continental shelves, and 90-95 per cent of its marine life would come

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1. The term 'littoral State' is preferred here because the term 'coastal state' (as used in this thesis) refers to a specific type of fishing country - that is, one distinct from a DWFS.

under littoral State jurisdiction.<sup>1</sup> The establishment of these zones could have a serious impact on the DWFS, for example: by reducing their total fish catches; creating unemployment; causing changes in the national diet; and reducing the profitability of fishing operations. This section considers the sensitivity of one of the major DWFS - Japan - to the new era. Emphasis here will be given to Japan's sensitivity to *global* changes - particularly those affecting the major fishing grounds of the North Pacific - in marine fisheries jurisdiction as of late 1977/early 1978.<sup>2</sup> (It will be noted that it is in the case studies where we specifically examine Japan's sensitivity dependence in this area with New Zealand and Australia.)

By 1977 the era of 200-mile exclusive economic (or fishing) zones was already firmly established. As of 30 September, 1977, 39 countries had declared and implemented such zones. (See Table 5.) They represented a cross-section of most types of littoral States: the less developed coastal fishing states such as India, Bangladesh and Angola; the developed coastal fishing states such as Canada; socialist States such as the USSR, Cuba and North Korea; and the developed DWFS, such as the USA, the United Kingdom and Japan.

Ironically, while the concept of 200-mile fishing zones was largely a Third World initiative, it is the developed littoral States (some of them DWFS) which can, and do, claim some of the largest and richest offshore fishing zones. The United States, with its many outlying possessions and its long continental coasts, has - at 2.22 million square miles - the largest of all. Others having very large zones include Australia (2.04 million square miles), New Zealand (1.41 million square miles) and Canada (1.37 million square miles).<sup>3</sup>

1. The Japanese have been particularly keen in publicising these statistics. See for example, an advertisement by the Japan Fisheries Association titled, 'Will the 200-mile Fisheries Zone Serve Mankind' *Look Japan*, March 10, 1977, pp.4-5; and Motokichi Morisawa 'The Fishery Ocean Development in the New Oceanic Era' *Yomiuri International Economic Society Bulletin*, No.35, Oct., 1977. See also Barbara Johnson and Frank Langdon 'The Impact of the Law of the Sea Conference Upon the Pacific Region: Part 1' *Pacific Affairs*, Vol.51, No.1, Spring, 1978, p.20, where essentially the same statistics are presented.

2. This point in time was chosen as it represents the eve of Japan's fisheries access negotiations with New Zealand, and not long before Japan's negotiations with Australia.

3. All statistics taken from George Kent 'Equity in Global Fisheries' *op.cit.*, p.60. George Kent also observes that the area gained by the USA alone would have an annual *potential* fish production equivalent to about 10 per cent of the total estimated world production - unmatched by any other country.

TABLE 5 - THE ESTABLISHMENT OF 200-MILE ECONOMIC ZONES AND FISHING ZONES BY COUNTRY (AS OF 30/9/77).

Country	Date of Declaration	Date of Implementation	Nature of Zone
Nicaragua	5/ 4/65	5/ 4/65	F
Argentina	29/12/66	10/ 1/67	E
Bangladesh	13/ 2/74	13/ 4/74	E
Iceland	15/ 7/75	15/10/75	F
Costa Rica	30/ 8/75	30/ 8/75	*
Angola	1976	1976	E
Mexico	26/ 1/76	31/ 7/76	E
Senegal	1/ 4/76	1/ 4/76	E
USA	13/ 4/76	1/ 3/77	F
Guatemala	9/ 6/76	1/ 7/76	E
Comoro	15/ 6/76	15/ 6/76	E
Mozambique	19/ 8/76	N.A.	E
India	25/ 8/76	15/ 1/77	E
Sri Lanka	1/ 9/76	15/ 1/77	E
EEC Countries **	Various 1976	Various 1977	E/F
Canada	1/11/76	1/ 1/77	F
Maldives	5/12/76	5/12/76	E
USSR	10/12/76	1/ 3/77	F
Norway	17/12/76	1/ 1/77	E
Pakistan	31/12/76	31/12/76	E
Cuba	24/ 2/77	26/ 2/77	E
Dominica	1/ 4/77	1/ 4/77	E
Haiti	6/ 4/77	6/ 4/77	E
Burma	9/ 4/77	1977	E
Seychelles	27/ 4/77	1/ 8/77	E
Japan	2/ 5/77	1/ 7/77	F
Vietnam	12/ 5/77	May 1977	E
Iran	22/ 5/77	22/ 5/77	F
Portugal	28/ 5/77	2/ 6/77	E
Guyana	3/ 6/77	30/ 6/77	F
Oman	15/ 6/77	15/ 6/77	F
Bahamas	16/ 6/77	16/ 6/77	F
North Korea	21/ 6/77	1/ 8/77	E

Notes:

F = Fishing Zone, E = Economic Zone

\* = Tuna fisheries in patrimonial sea.

\*\* = France declared an EZ; Denmark, UK, Ireland, West Germany, the Netherlands, and Belgium declared a FZ.

Source:

Ministry of Foreign Affairs, Japan.



It is also worth noting that the world's four major fishing grounds - the North Pacific waters stretching east from Japan to the west coast of Alaska and Canada; the waters from the North Sea to the coastal waters of Norway and Iceland; the waters off the east coasts of Canada and the USA centering on Newfoundland; and the waters off Peru - are all bounded by States which have established 200-mile fishing zones.

The Japanese feel that, of all the DWFS, they are the one likely to suffer most from the establishment of these zones. This concern was early reflected in Japan's strong opposition to the concept of the EEZ at UNCLOS III. As Gene Gregory notes, during the Second Session at Caracas in mid-1974 'Japan was alone in its commitment to open seas'.<sup>1</sup> And, as we shall see later, Japan's concern has not diminished over the years.

The importance of fish and fishing in Japan's national life can be readily testified.<sup>2</sup> Historically, fish products have occupied a very important place in the Japanese diet. Fish and shellfish contribute about 50 per cent of total protein consumption from animal sources. Compared with other major industrial countries, Japan's per capita consumption of fish is very high, and its per capita consumption of meat is low.

TABLE 6 - PER CAPITA CONSUMPTION OF FISH AND MEAT BY COUNTRY IN 1974  
(KGS PER ANNUM)

	Fish	Meat
Japan	35.0	22.6
France	16.8	95.0
Italy	9.9	66.3
UK	8.2	72.6
USA	7.2	107.9
West Germany	7.2	85.8
Canada	5.9	95.3

Source: 'Major Protein Source for Japanese Threatened' *The Oriental Economist*, Vol.45, No.796, February, 1977, p.10.

1. Gene Gregory 'Japan and the Law of the Sea: Uncertainties of the New Order' *Australian Outlook*, Vol.30, No.1, April 1976, p.45. The Japanese had, however, shown that they were prepared to make certain concessions to the less developed coastal states. In *Proposals for a Regime of Fisheries on the High Seas* A/AC.138/SC.II.L.12, a paper submitted to the Seabed Committee in mid-1972, Japan suggested that these countries should be guaranteed a certain preferential fishing right in the form of a preferential share of the coastal fish species on the basis of the fishing capacities of the nations concerned.

2. A number of works, both in Japanese and in English, treat with the history of Japan's fishing industry, for example: G. Borgstrom *Japan's World Success in Fishing*, Fishing News, London, 1964; and Kenzo Kawakami

There are two main factors which account for the relatively high fish intake in the average Japanese diet. First, arable land constitutes only some 18 per cent of Japan's total land area. As much of this area is set aside for rice production there is little scope for livestock farming as a source of animal protein. Second, the Japanese are favoured by the fact that the seas surrounding their country abound in numbers and varieties of fish. Japan lies at the confluence of two ocean currents - the cold Oyashio from the north, and the warm Kuroshio from the south - which provides a variety of temperature and plankton environments suitable for a wide diversity of marine life.

The fishing industry is an important source of employment in Japan. While the number of men and women *directly* employed in the industry - that is, those classified as fishing workers - is not large (in 1976, it stood at 469,700 persons, about one per cent of the total national work force);<sup>1</sup> the total number of those in some way dependent on this industry for their livelihood - in such areas as processing, packing, transportation, retailing, ship construction and repair - is very much larger. For certain parts of Japan, particularly Hokkaido, eastern Tohoku, and western Honshu the industry represents a much higher percentage of the total work force.

While no figures are available for the total amount of capital invested in the fisheries sector, one can imagine that the investment in fishing vessels (some 400,000 of them); fishing ports; fishing vessel construction yards; fishing gear; and other related services and facilities, must be very large.

When considering the sensitivity of Japan to changes in the global fisheries environment it is important to determine the domestic political influence of the Japanese fishing sector. The industry is organised into about 2,500 fisheries cooperatives with a total

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*Sengo Kokusai Gyogyō Seidōshi (A History of Postwar International Fisheries Institutions)* Dai Nihon Suisan Kai, Tokyo, 1975. Those works treating specifically with Japan's situation in the new era of 200-mile fishing zones include: *Nihon Keizai Shimbun Kaiyō Nihon no Shumatsu (The End of Maritime Japan)* Nihon Keizai Shimbun, Tokyo, 1977; *Mainichi Shimbun Nihyaku Kairi Sakana Sensō, (200-Mile Fish War)* Mainichi Shimbun, Tokyo, 1977; and Takao Morizane *Shin Kaiyōhō Chitsujo to Nihon Gyogyō (The New Order of the Law of the Sea and the Japanese Fishing Industry)*, Sōzo Shobō, Tokyo, 1977.

1. *Fisheries Statistics of Japan, 1976, op.cit., p.28.*

membership of some 600,000.<sup>1</sup> These cooperatives have prefectural-level federations which are affiliated to the National Federation of Fisheries Cooperatives. The Japan Fisheries Association (JFA), which represents all sectors of the fishing industry with a membership of more than 500 organisations, acts as the main lobby group on behalf of the Japanese fishing industry.<sup>2</sup>

In terms of membership, these fisheries organisations do not begin to compare with that of the massive agricultural lobby concentrated on the Agricultural Cooperative Association (*Nōkyō*) which claims five million farm household members and 1.8 million associate members. (This difference in political strength between the two groups is reflected in the Diet, where the political influence of fisheries spokesmen falls far short of the rural Dietmen.) This said, the fishermen do have *some* political leverage. It seems that the ruling Liberal Democratic Party (LDP) cannot afford to ignore the fishermen. Most of the fishing communities that dot the Japanese coast have long been bastions of LDP support: Dahlby, for example, notes how Prime Minister Fukuda's decision in January, 1977, to expand Japan's territorial waters from three to 12 miles was clearly intended to bolster waning support for his party. As Dahlby puts it '... going to bat for the large number of people dependent on the local fishing industry was a wise move to ensure his political longevity.'<sup>3</sup>

The fishing industry also has indirect political influence in the form of support from public consumer groups. In this it can be considered far better placed than many of the agricultural lobbies (for example, the beef producers and citrus farmers) which do not have the same degree of support.

From this very brief and broad consideration of the importance of fisheries in Japan, the examination turns to that country's sensitivity to the establishment of 200-mile zones overseas as of late 1977/early 1978. Emphasis will be given to the impact on Japan of those fishing zones that were among the first to be established and which were also zones of vital importance to the Japanese fishing industry - namely, those of the United States and the Soviet Union.

1. *Seafoods and Fishing in Japan: Report of the Australian Fishing Industry Mission to Japan, July, 1978*, Australian Department of Trade and Resources, Canberra, 1979.

2. It may be added that the JFA also acts as the Japanese negotiator in *private* fishing arrangements with foreign countries and sends members overseas for official fishery negotiations.

3. Tracy Dahlby 'Politics Shape Japan's New Limits' *Far Eastern Economic*

The Japan Fisheries Agency has calculated the percentage of Japanese fish catches made from within 200-nautical miles of foreign nations. (See Table 7.) In 1976, this catch amounted to 3.51 million metric tons, or 36.5 per cent of Japan's total oceanic (or seagoing) catch.<sup>1</sup> No less than 74 per cent of this catch (that is, that from within 200 miles of foreign countries) came from the offshore waters of the United States and the Soviet Union. These two countries together accounted for the great majority (in 1976, about 1.8 million MT or 70 per cent) of Japan's catch of Alaska pollack. Their waters also provided sizeable catches of higher quality species including salmon and crab. Japan's catches from within 200 nautical miles of other foreign countries did not begin to compare (either in terms of quantity or total value) with those from the waters off the USA and the USSR. However, it is worth noting that the Japanese catch off New Zealand had more than doubled between 1974 and 1976, pushing that country into third place on the list in terms of tonnages.

Given the importance to Japan of fish catches within 200-nautical miles of foreign countries, it was not surprising that the Japanese were, in 1977, watching with keen interest those countries which had established (or were about to establish) 200-mile fishing zones. They were anxious to learn: first, whether such countries had declared that there was a surplus of allowable catch available to DWFS, particularly Japan; and, second, the terms under which such access would be given - for example, with respect to license fees, quotas, and other regulations similar to those outlined in ICNT Article 62, Paragraph 4.

Japanese reservations and fears about the establishment of extended fishing zones overseas were early justified when in 1977 most of the littoral States of the North Pacific declared such zones and entered into fisheries access agreements with Japan.

Canada was the first to establish its zone in January that year; the United States and the Soviet Union each implemented its extended fishing zone on March 1; and North Korea established its zone in August. Even Japan - the country most opposed to the setting up of

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*Review*, February 11, 1977, p.101.

1. This was considerably lower than the figures for 1975 and 1974 - in the latter year, for example, 4.26 million MT (about 44 per cent of the total catch) was caught in these areas by Japan. The lower figure for 1976 reflects the increased coastal and nearsea fishing effort off Japan, which was due in large part to the continuing effects of high fuel oil prices. See 'Japan: Facing Up to the Problems of 200-mile Limits' *World Fishing*, Vol.27, No.1, January, 1978, p.49.

TABLE 7. - JAPANESE FISH CATCHES WITHIN 200 MILES OF FOREIGN COUNTRIES ('000 MT)

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Japan Fishery Production	10,808	10,545	10,455
Japan's Total 'Oceanic' Catches	9,749	9,573	9,605
<hr/>			
Japan's Catches within 200 miles of Foreign Countries	4,256	3,744	3,506
Percentage of 'Oceanic' catches from within 200 miles of Foreign Countries	43.7%	39.1%	36.5%
<hr/>			
Catches from within 200 miles of:			
United States	1,585	1,410	1,348
Canada	26	21	25
Soviet Union	1,630	1,396	1,229
People's Republic of China	180	152	118
South Korea	} 209	177	137
North Korea		64	80
Australia	18	12	18
New Zealand	78	80	166
Mauritania	} 530	48	32
South Africa		115	100
Others		269	263
<hr/>			
Inside of Japan's 200-mile zone	5,234	5,503	5,682
Percentage of Total 'Oceanic' catches, made inside of Japan's 200-mile zone	53.7%	57.5%	59.2%
<hr/>			
'International' Waters	257	326	417

Note: 'International' Waters refers to areas not included within the 200-mile zones of foreign countries or of Japan.

Source: *Suisan Shūhō* (The Fishing and Food Industry Weekly) No.822, February 15, 1978, pp. 16-17, also *Gyogyō Hakusho*, *op.cit.*, p.18.

EEZ's at the UN Conferences on the Law of the Sea - declared a 200-nautical mile fisheries zone of its own which entered into force on 1 July.<sup>1</sup> (Japan's decision was prompted by a desire to increase its bargaining leverage in fisheries access negotiations with the Soviet Union, and to secure further its claim to the 'northern islands' occupied by the Russians.)<sup>2</sup> As the map shows (see Fig.1), the establishment of 200-mile fishing zones in 1977 virtually carved the North Pacific into national 'fishing seas'.

The Japanese soon discovered that each of their North Pacific neighbours intended to use these new zones to its advantage. The United States, for example, has in each of its fishery access agreements with Japan since early 1977 reduced the Japanese catch quota. The first such agreement - the Interim Agreement of February 11, 1977 - covered the quota for 1977. The overall annual quota of 1,190,000 tons was 11 per cent less than that for 1976. Japan also had to abide by catch quotas by area and species of fish: for example, the quota for Alaska pollack was set at 836,000 tons - about 20 per cent less than that for 1976. Moreover, the Japanese had to pay about \$100 million in fees to fish in US waters.<sup>3</sup>

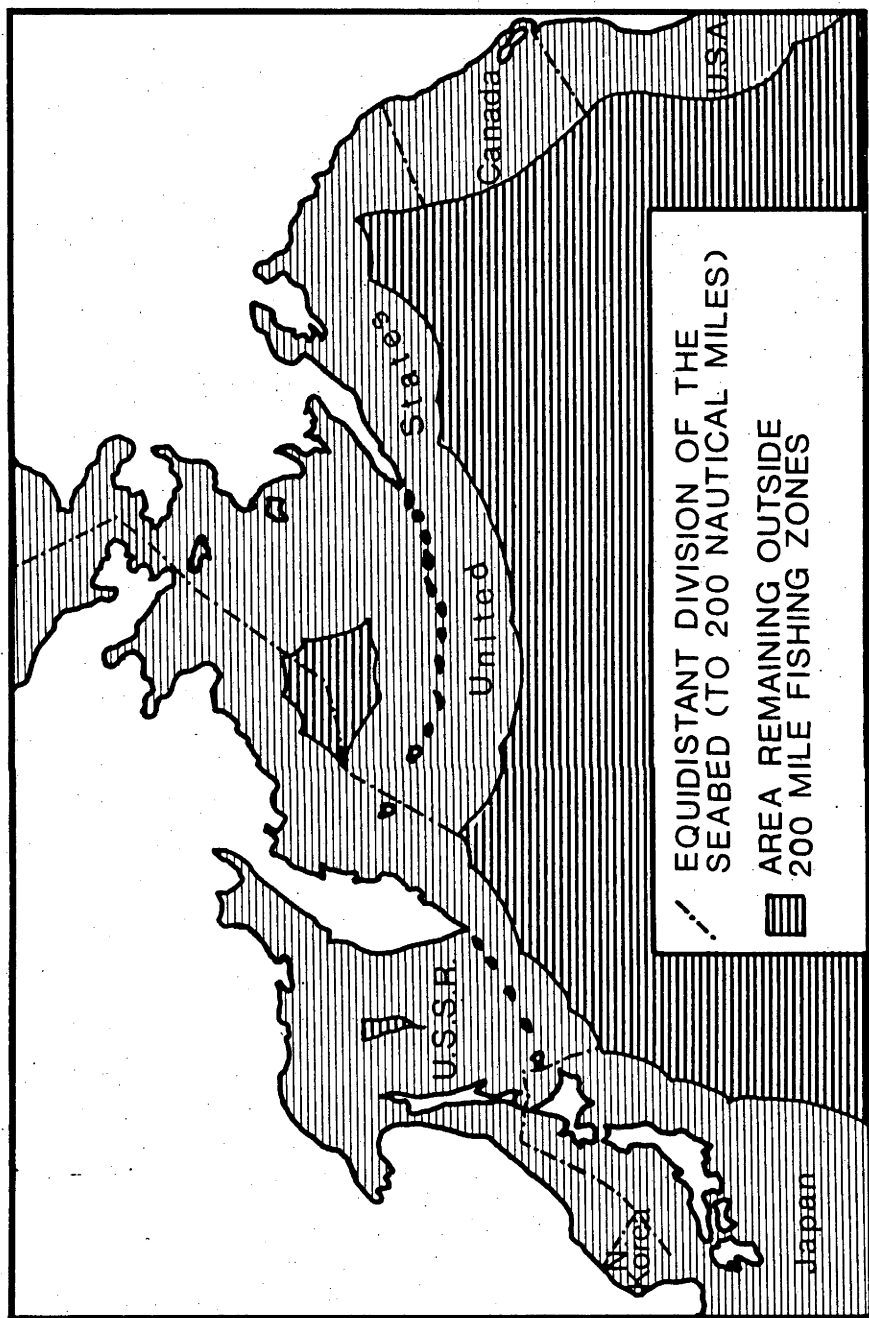
Japan's annual fish quota from American waters was reduced further (by about four per cent) in 1978 to 1,157,000 tons. But it was not just the reduction in the quota that gave cause for concern in Tokyo that year. The United States had made it clear that if the Japanese desired favourable treatment from Washington when annual quotas were allocated in the future, the Japanese would have to relax some of their barriers to fish imports. As one American official

1. The Japanese zone was only partially established. For fear of alienating China and South Korea, which had not established extended fishing zones, Japan's zone did not apply west of 135 degrees east longitude.

2. For more on the background to Japan's declaration of a 200-mile fishing zone and a 12-mile territorial sea, see Frank Langdon 'Japan - Soviet 200-mile Zone Confrontation' *Pacific Community*, Vol.9, No.1, October, 1977; Shunji Yanai and Kuniaki Asomura 'Japan and the Emerging Order of the Sea - Two Maritime Laws of Japan' *The Japanese Annual of International Law*, The International Law Association of Japan, No.21, Tokyo, 1978; and statements by Zenko Suzuki (then Minister of Agriculture and Forestry) before the Committee of Agriculture, Forestry and Fishery, House of Representatives, 19 April, 1977, and the testimony of Prof. Soji Yamamoto of Tohoku University before the same Committee on 22 April, 1977.

3. For descriptions of the Interim Agreement of February 11, 1977, see *The Oriental Economist*, Vol.45, No.800, June, 1977, p.3; and Tracy Dahlby 'Japan Pays a Price for Access' *Far Eastern Economic Review*, 25 February 1977, p.47.

Fig.1 EXTENDED FISHING ZONES IN THE NORTH PACIFIC



SOURCE: Based on a map which appeared in Barbara Johnson and Frank Langdon 'Two Hundred Mile Zones: The Politics of North Pacific Fisheries' *Pacific Affairs*, Vol.49, No.1, Spring, 1976, p.5.

visiting Tokyo put it

' If Japan does not eliminate the barriers to the import of marine products, the US will markedly reduce the catch quota for next year within the 200-nautical mile waters of the US!'<sup>1</sup>.

The Japanese felt that this request was unreasonable; and the Japan Fisheries Agency is said to have retorted 'It [the request] is nonsense in content, for the United States is not capable of exporting Alaska pollack.'<sup>2</sup>. However, as the *Yomiuri* reporter observed

'... there is no doubt that the moves to "cultivate one's garden (200-nautical mile waters) by oneself", which is in the background of the United States request this time, will become increasingly strong in the future.'<sup>3</sup>.

Tokyo feared that the United States might discriminate against Japanese fishermen in other ways. In 1978, it was reported in Japan that the United States might reduce Japan's quota of Alaska pollack in the Bering Sea and increase the fish catch quotas of other countries by the same amount. (The Republic of Korea was identified as one country likely to be so favoured as it had already set up a joint fishing venture in Alaska. Mexico was considered another likely candidate, as it provides the United States with tuna fishing grounds.)<sup>4</sup>. The Japanese were particularly incensed about these developments, and claimed that as it was Japanese fishermen who had pioneered the Alaska pollack fishery they should be given most favoured treatment.<sup>5</sup>.

Japan suffered even more in its negotiations for access to waters off the Soviet Union.<sup>6</sup>. After almost three months of hard

1. US Commerce Department Oceanic and Atmospheric Administration spokesman Frank, who visited Japan in October 1978, as a member of the US Export Development Mission, quoted in Aizume Toru, 'US Pushing "Alaska Pollack War"' *Yomiuri*, October 5, 1978, p.5.

2. *Ibid.*

3. *Ibid.*

4. See 'Quota to Japan for Alaskan Pollack Fishing in Bering Sea to be Reduced by 10 to 20 Per Cent?' *Yomiuri*, October 21, 1978, p.9.

5. For more on Japan's reaction to Washington's restrictions on DWFS access to America's 200-mile fishing zone in 1978 see *Suisan Keizai Shimbun*, September 5, 1978, p.1, November 14, 1978, p.1, and November 21, 1978, p.1; *Nihon Keizai* October 9, 1978, p.3, and October 13, 1978, p.4; and *Tōkyō Shimbun*, November 14, 1978, p.1.

6. A good account in the Japanese language of the background to the Soviet-Japanese fisheries question is to be found in *Nisso Gyogyō Iinkai ni Tsuite*, (The Soviet-Japanese Fisheries Commission) Fishery Agency, Tokyo, 1976.



bargaining these two countries signed an Interim Fisheries Agreement on 24 May, 1977. The terms were very tough. The total annual catch for Japanese fishermen was seriously reduced. Whereas in 1975 Japanese fishermen had caught some 713,000 tons of fish from within 200-miles of the Soviet Union during the June to December period, the quota for the same period of 1977 was only 455,000 tons.<sup>1</sup>

The Russians imposed many other forms of restrictions. The kinds of fish to be caught and the number of vessels permitted to enter the Soviet extended fishing zone were spelt out by Moscow. (Formerly, such restrictions applied only to salmon, crab and sea snail.) The Japanese were completely excluded from the valuable salmon and herring fisheries in the Soviet zone. The Alaska pollack quota was 100,000 tons for the June to December period of 1977, down 62 per cent on the catch recorded for this period in 1976.<sup>2</sup> Further, the Japanese were restricted to seven widely separated and circumscribed areas designated by the Soviet Government within the 200-mile zone. Moreover, it soon became evident that the USSR was going to be more strict in policing its zone than the Americans and Canadians were in theirs.<sup>3</sup>

In the early stages of the negotiations the Russians had demanded to fish close inshore to Japan for sardines. But, as noted above, the Japanese Government felt bound to protect the coastal fishing industry and declared a 12-mile Japanese territorial zone and 200-mile fishing zone from which Russian and other unlicensed foreign fishing activity was excluded.<sup>4</sup> A barter arrangement was finally worked out whereby Moscow would exchange Russian-caught pollack for sardines caught by Japanese fishermen within Japan's zone.

Given the traditionally tough bargaining between the USSR and Japan on fisheries, and other, issues it is not surprising that the negotiations over extended fishing zone access had been so protracted. However, the Soviet Union had good economic reasons for taking a hard line. It also had suffered severely from the establishment of 200-mile

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1. Reported in 'Fishing in the New Era' *World Fishing*, Vol.26, No.8, August 1977, p.127.

2. See 'Japan Facing a Fish Famine' *Fishing News International*, March, 1978, p.34.

3. The article 'Severe Outlook of Fishery Talks' *The Oriental Economist*, Vol.45, No.805, November, 1977, p.3, notes that from the end of May to October 20, 1977, no less than 123 Japanese fishing vessels had been arrested and fined a total of ¥130 million (somewhat in excess of half a million dollars) for 'offences' committed within the Soviet 200-mile zone.

4. It should be pointed out, however, that fishermen from the Peoples

fishing zones elsewhere.<sup>1</sup> The operations of its distant water fishing fleets were being disrupted especially in the northeast and northwest Atlantic. Moscow was, therefore, determined to reduce Japanese fishing activities within the Russian zone as much as possible, while at the same time Moscow hoped to persuade Tokyo to increase the level of Soviet fishing activity permitted inside the Japanese zone. In its negotiations with Japan, the Soviet Union had promoted the concept of 'equivalence' where Russian fish quotas in the Japanese zone were to be increased to equal Japanese fish quotas in the Russian zone.<sup>2</sup> Naturally, the Japanese were much opposed to this concept as the Soviet catch inside Japan's zone was (in 1976) less than half the Japanese catch in Russian waters.

As Japanese fish catches in Canadian waters were small, the quotas given to DWFS by Ottawa were probably not of major concern to Tokyo. However, the Japanese were disturbed about the way in which Canada had followed America's example in bartering fishing access in return for access to overseas fish markets.<sup>3</sup>

What then were the immediate<sup>4</sup> effects of, and Japan's reaction to, the establishment of extended fishing zones in the North Pacific in 1977?

With drastic reductions of fish catches in North Pacific waters, a large number of Japanese fishing vessels which had traditionally worked this area were forced to move elsewhere. The number of Japanese fishing vessels working the Soviet 200-mile zone in 1977 was reduced to 6,300 (down from 7,400 in 1976<sup>5</sup>), and the number of mother vessels reduced from 10 to six. Particularly hard hit were the so-called *hokuten* boats, which traditionally worked out of Hokkaido ports into

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Republic of China and from the Republic of Korea were largely exempted from these regulations. See Yanai and Asomura, *op.cit.*, p.p.73-76.

1. See Frank Langdon, *op.cit.*, p.48.

2. See 'Japan-Russia Tug-O'-War Over Fishing Rights' *The Australian Financial Review*, April 6, 1977; and 'Soviet Union Raps Japan's Attitude in Fishing Talks' *Japan Times*, March 30, 1977, p.1.

3. See 'Canada Bartering Fishing Rights for Market Access' *Australian Fisheries*, Vol.38, No.1, January, 1979, p.9.

4. It should be repeated that we are here concerned with Japan's sensitivity to changes in the global fisheries environment as of *late 1977/early 1978* - the eve of that country's access negotiations with New Zealand and Australia. We are not, therefore, at this point concerned with developments in the global environment after 1978, nor with Japan's more recent assessment of the situation.

5. Reported in *The Oriental Economist*, Vol.45, No.805, November, 1977, p.3.

North Pacific waters specialising in the netting of Alaska pollack. One use then seen for these vessels was to take over the Soviet sardine catch in Japan's new 12-mile territorial sea. But Japanese coastal sardine fishermen were very much opposed to this idea. Another use envisaged for these vessels - which will be discussed more fully in the next section - involved the exploitation of krill in the Southern Ocean. As catch quotas in the American zone were reduced only moderately in 1977, few Japanese vessels were forced immediately to leave these waters.

The cutbacks in fishing activity in the North Pacific created immediate problems of unemployment in the fishing, and related, industries in Japan. Otani asserted in early 1978, that all of the major fishing companies had taken steps to 'counter anticipated difficult days.' He noted that these companies 'have quietly carried out personnel retrenchment in the past two or three years, and have succeeded in reducing 2,000 to 3,000 personnel.' He went on to warn that the companies 'are now racking their brains over what to do with surplus manpower in the future.'<sup>1</sup> The unemployment problem was likely to be particularly severe in Hokkaido where many coastal communities are almost totally dependent on fishing.<sup>2</sup> Also affected were those engaged in the fish processing industry. The cutback in pollack catches, in particular, had a serious impact on the large number of workers involved in processing pollack into *kamaboko* fishmeat loaves and the like.

The establishment of 200-mile fishing zones in the North Pacific also threatened to increase the operating costs of Japanese fishermen. One spokesman from the Japan Fisheries Agency is quoted as saying that, as a result of the changed situation in North Pacific fisheries, the 'ripple' effects on the Japanese economy in terms of employment and sectors of the industry like processing and marketing would amount to about \$1,000 million.<sup>3</sup>

1. Tetsumaru Otani 'Major Japanese Fishery Companies in the Age of 200-mile Fishery Zones' *Business Japan*, January, 1978, p.68.

2. Some ports in Hokkaido, like Kushiro, depend almost exclusively on long-distance trawling (much of it conducted in Soviet waters), and have no alternative sources of employment. (See the earlier paragraphs in this section.)

3. Tracy Dahlby, February, 1977, *op.cit.*, p.49.

The threat of reduced supplies of fish due to the establishment of 200-mile zones overseas created a crisis atmosphere in Japan in early/mid-1977. This was reflected in the sharp rise in the price of fish and fish-based foods. In April that year, the average wholesale price of fish at the 66 largest fishing ports in Japan was fully 64 per cent over what it was a year before.<sup>1</sup>

As of late 1977/early 1978, most Japanese were generally pessimistic about the global fisheries situation - particularly that existing in the North Pacific. Early in 1978, Tetsumaru Otani of *Business Japan* asserted '... the age of the 200-mile zone is threatening to change the structure of the whole [Japanese] fishing industry drastically.'<sup>2</sup> Similar sentiments were expressed by Japanese officials at this time to a visiting New Zealand economist, when it was predicted that 'the volume of fish being caught in Russian and American waters would be reduced to negligible amounts in the next 10-15 years.'<sup>3</sup> Further, the Japanese faced the prospect of being excluded from 200-mile zones elsewhere in the world.

This section concludes with a very brief consideration of what the establishment of extended fishing zones meant for other DWFS - particularly those which compete with Japan for the fish resources off New Zealand and/or Australia. As mentioned above, the Soviet Union has been seriously affected. Writing in 1977, Christy noted how some of the major fishing grounds traditionally exploited by the Russians - the northeast Atlantic, the west coast of Africa, and the Atlantic and Pacific coasts of North America - were threatened by the new zones.<sup>4</sup> The South Koreans, in 1977, predicted that their catch for that year would be 88 per cent less than in 1976 'as new restrictions go into force in the North Pacific.'<sup>5</sup> Taiwan was likely to have unique problems as more and more countries declared extended fishing zones. That country would, somehow, have to get round the problem of negotiating fishing access agreements with the governments of countries with which it does not have diplomatic relations.

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1. See 'Troubles for Japan's Fisheries' *The Oriental Economist*, Vol.45, No.803, September, 1977, p.6.

2. Tetsumaru Otani *op.cit.*, p.68.

3. See G.W. Kitson *A Comment on Fisheries and Agricultural Trade Relationships Between New Zealand and Japan*, Agricultural Economics Research Unit, Lincoln College, Discussion Paper No.38, February, 1978, p.11. Similar fears were expressed to the present author by officials of the Japan Fisheries Agency in late 1978. See also Motokichi Morisawa, *op.cit.*, p.p.29-30; and 'Troubles for Japan's Fisheries', *The Oriental Economist*, *op.cit.*, p.10.

4. See Francis T. Christy, Jr., 1977 *op.cit.*, p.p.241-3.

5. Reported in Barbara Johnson and Frank Langdon, *op.cit.*, p.222.

# Japan's Likely Vulnerability to Extended Fishing Zones

It can be argued that Japan was more sensitive to the establishment of 200-mile exclusive economic (or fishing) zones than any other DWFS. The question facing Tokyo in the mid/late 1970s was whether there were suitable policy options which would either avoid or offset the negative impact on the Japanese fishing industry and the broader Japanese community that these zones threatened. This section explores the range of possible counter-strategies available to Japan in this area with the objective of assessing that country's likely vulnerability dependence on the coastal fishing states, both in the short-term and in the medium/long-term.

Before examining the Japanese situation, however, the range of policy options theoretically available to DWFS will be considered. Christy has suggested that there are four major alternatives available to the DWFS in the face of 200-mile extensions.

' They can reduce their distant-water fishing effort; develop deep-water fisheries for stocks beyond 200 miles; increase their bilateral arrangements with coastal states; or refuse to accept or abide by coastal state jurisdiction in a 200-mile zone.'<sup>1</sup>

He noted that these alternatives are not mutually exclusive.

Christy's suggestions warrant closer analysis. First, it is doubtful whether two of his suggested alternatives are likely to prove suitable options for many DWFS. For example, a DWFS which has a very large investment in the fishing industry is unlikely to be attracted to Christy's first major alternative, especially if that alternative means a large reduction in deep-water fishing effort in the short/medium-term.<sup>2</sup> The DWFS is likely to judge that such a course is, more than others, likely to: undermine the position of the domestic fishing industry; create considerable opposition at home; and increase its dependence on the coastal states for fish supplies. Again, it is doubtful whether many DWFS would adopt the fourth alternative - that of refusing to accept or abide by coastal state jurisdiction in a 200-mile zone - for the concept of exclusive economic zones has now quasi-legal international status, and many of the DWFS have themselves established such zones.

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1. Francis T. Christy, Jr., 1977 *op.cit.*, p.p. 242-3. Christy was here specifically suggesting these policy alternatives as options for the Soviet Union and East European countries.

2. Christy, himself, admits that a reduction in the Soviet Union's distant-water fishing effort 'is not likely to occur very rapidly, in view of the magnitude of the commitment', *ibid*, p.242.

Second, Christy might have considered *other* possible policy options for the DWFS. He might, for example, have mentioned: the development by each DWFS of its own offshore fishing grounds - including aquaculture; the consumption of alternative (non-fish) protein products; and the less wasteful use of present fish resources. Obviously, the attractiveness of any single one - or combination - of these strategies will vary according to each country's fisheries, and broader economic, priorities. At this point, the discussion turns to a consideration of how these different policy alternatives may assist in reducing Japan's vulnerability to the establishment of 200-mile fishing zones.

Although the Japanese had long been resigned to the widespread establishment of 200-mile fishing zones they seemed genuinely shocked by moves in the United States in early 1976 to establish such a zone. The Japanese fishing companies were then reported to be 'feeling panic at the problems whose true nature has not yet been fully ascertained', and the Japan Fisheries Agency was also believed to be in a state of uncertainty at this time.<sup>1</sup> *The Japan Economic Journal* observed

' Japan's Fisheries Agency seems to be just as much in the dark as fishing companies themselves as to the future of the Japanese fishing industry after the inevitable debut of the new law of the sea. About the only concrete plan that the Fisheries Agency has up its sleeve for the new age is the one for consolidation and further development of the nation's coastal seas.'<sup>2</sup>

It is possible that, at this time, the Japanese Government was genuinely surprised by the very large number of 200-mile zones being established in different parts of the world (see Table 5). On the other hand, Japan's early lack of a comprehensive fisheries policy to meet the new era might have been the result of a conscious decision to wait and see what the impact of these zones would be.

By early 1977, however, the broad outlines of a Japanese fisheries policy were beginning to emerge. The Minister of Agriculture and Forestry<sup>3</sup>. (Zenko Suzuki) then made it clear that the Government had no intention of 'abandoning' the Japanese fishing industry. In voicing

1. See 'International Recognition of 200-mile Zone Will Benefit Government-to-Government Talks' *The Japan Economic Journal*, February 17, 1976, p.10.

2. 'Issue Is Whether to Boost Overseas Setup or Revamp Domestic Phase' *The Japan Economic Journal*, February 24, 1976, p.10.

3. The Ministry of Agriculture and Forestry (*Nōrinshō*) also had charge

his concern about the possible decline in production of long-distance fisheries 'upon starting the 200-mile zone era', he urged

' It is imperative for us to promote an active fishery diplomacy to secure the past realised catches to the extent possible.'<sup>1</sup>.

The Minister asserted that this objective might best be achieved by adopting a 'multi-pronged' approach through the promotion of: technical and economic cooperation in fisheries with the developing countries; the development of new marine resources such as krill; establishing new fishing grounds including deep-sea areas; further developing Japan's coastal and offshore fisheries (that is, fisheries within Japan's 200-mile fishing zone); the further promotion of aquaculture; and the utilisation of cheaper fish species. He felt constrained to add that, in line with Japan's general policy of emphasising self-sufficiency in foodstuffs, 'it is our policy to avoid the disorderly import of fishery products'.

The 1977 national budget reflected these priorities, for a sum of ¥129,100 million (approximately \$600 million - an increase of 28 per cent over 1976) was set aside to: provide for the payment of license fees for access to 200-mile fishing zones overseas; develop new fishing grounds; 'consolidate' Japan's offshore fisheries; promote aquaculture; and to develop new fish processing technologies enabling the utilisation of cheaper varieties of fish.<sup>2</sup>.

These, and other possible policy options may be divided into two categories - those which are likely to reduce Japan's vulnerability dependence on coastal states, and those which are not. The following paragraphs consider these options in greater detail, with the former set of options being analysed first.

As noted above, some observers have argued that there is no reason why powerful DWFS such as Japan should agree to accept or abide by coastal state jurisdiction over extended fishing zones. At first glance it would appear that should the Japanese Government formally announce its intention not to recognise certain offshore zones and/or should individual Japanese fishermen decide to openly trespass in

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of fisheries. It was not until July 1978 that there was a change of name to the Ministry of Agriculture, Forestry and Fisheries (*Nōrinsuis-anshō*), reflecting the new status of fisheries in Government priorities.

1. Zenko Suzuki 'Agriculture and Fishery Policies in Japan' *Look Japan*, Vol.21, No.251, March 20, 1977, p.2.

2. Takayoshi Miyauchi 'Fishing Industry is Hit; Protein Intake is Cut', *The Japan Economic Journal*, Vol.15, No.740, March 8, 1977, p.19.

coastal state waters, there is very little that the smaller coastal states could do to stop them. It is very doubtful, however, that the Japanese would take such an extreme course.

First, as a major global trading nation, Japan - more than most other countries - has a vital interest in supporting international legal conventions. As discussed above, the draft convention of the Law of the Sea already has semi-legal status. It is difficult to imagine Japan taking the initiative in rejecting coastal state claims to 200-mile zones. If Japan *were* to adopt such a course of action, it is only likely to do so in concert with other major DWFS.<sup>1</sup> Further, the Japanese have established a 200-mile fishing zone of their own. This would make the task of non-recognition of other States' zones even more difficult.

Legal considerations aside, there are other reasons why Japan is unlikely to be attracted to this option. The Japanese have important investments in, and trade ties with, many of the coastal states. In line with its policy of averting major offense to anyone with whom it has commercial relations,<sup>2</sup> the Japanese Government will probably try to protect these broader economic interests overseas by closely monitoring the activities of its distant-water fishermen and making sure they do not unduly alienate the coastal states.<sup>3</sup> Further, the Japanese fishermen, themselves, might decide that the risks involved in trespassing in coastal states' zones are too high. While the chances of being detected by surveillance forces may not be great (in most cases coastal states have a very limited capacity to police adequately their zones), the penalties involved *should* they be caught might be very severe.

It is unlikely that the Japanese will be able to increase substantially their fisheries independence (or self-sufficiency) through the development of new fishing grounds overseas outside coastal state zones. There are few important high seas fishing

1. So far no other DWFS (to the best of the author's knowledge) has challenged 200-mile zones once established.

2. See Saburo Okita *op.cit.*, p.723, where he refers to Japan's diplomatic policy as being one of 'being friendly with everybody, or at least not making serious enemies anywhere'.

3. The case studies will demonstrate how the Japanese Government has, over the years, kept a close check on the activities of Japanese fishermen operating off New Zealand and Australia.



grounds in the world that are not now being exploited at, or nearly at, their full capacity. One of the major exceptions, however, are the krill resources of the Antarctic. The FAO has estimated that 50 million tons of krill (which are at present virtually unexploited) could be harvested every year. Japan is already conducting feasibility fishing studies of this species and has reassigned some of the *hokuten* trawlers and factory ships formerly operating in Soviet Far East waters to Antarctica. There are, however, problems of developing this resource. The transport and freezing costs of krill are high. Moreover, krill are not attractive for human consumption. One solution suggested is to use krill as livestock feedstuff, releasing anchovy for sale to Japanese housewives. Morisawa notes how the Japan Marine Fishery Resource Research Centre has promoted the search for Antarctic krill and other undeveloped fish resources such as squid and cuttlefish off New Zealand, and the development of new fisheries off southern Argentina.<sup>1</sup> Japan, together with the Soviet Union, is in the forefront of exploratory work in these fisheries. However, once the commercial feasibility of some of these fishing operations is proven, Japan can expect increased competition from other DWFS.<sup>2</sup>

It is even less likely that Japan can significantly increase its catches from within its own coastal and offshore waters. It will be recalled that in 1976 some 5.7 million MT (about 59 per cent of Japan's total 'oceanic' catch) of fish were harvested in the waters of what are now Japan's 200-mile fishery zone. As it has been estimated that the 4.5 million square kilometres of waters within the zone

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1. Motokichi Morisawa, *op.cit.*, p.31. He might also have mentioned the development of skipjack tuna resources of the South Pacific which, even now, appear to be exploited well below the MSY. For more on the subject of the skipjack tuna potential of the South Pacific, see: 'Studies on Skipjack in the Pacific' *FAO Fisheries Technical Paper*, No.144, *FIRS/TI44*, FAO, Rome, 1975; Kohei Kasahara 'Trends in Tropical Pacific Skipjack Fishery - A Japanese View' *Australian Fisheries*, February, 1978 (this article is a translation of a paper which first appeared in *Suisan Sekai*, Vol. 26, No.3, March, 1977); and W.L. Klawe 'Estimates of Catches of Tunas and Billfishes by the Japanese, Koreans and Taiwanese Longliners from Within the 200-Mile Economic Zone of the Member Countries of the South Pacific Commission', *Occasional Paper No.10*, South Pacific Commission, Noumea, September, 1978. However, with the widespread establishment of 200-mile zones in the South Pacific even much of the skipjack resource will be controlled by coastal states.

2. See the Editorial 'End of Free Fishing' *The Japan Economic Journal*, February 1, 1977, p.10.

contains a fish population of about 50 million tons of which only some 10 per cent is of commercial quality,<sup>1</sup> it would appear that Japan's offshore waters are already being exploited at, or near, their maximum sustainable yield.

However, Japan's expertise in one area of fisheries technology - aquaculture - could produce greater yields (if still of low absolute quantities) of high quality fish from Japan's coastal waters. It was estimated that, in 1976, marine aquaculture accounted for about 13 per cent of Japan's total fish catch by value.<sup>2</sup> The main marine fisheries products cultivated in Japan are valuable species such as eel, yellowtail, sea bream, oyster, scallop, pearl, laver, seaweed and prawn. Kitson has estimated that Japan has a potential production from this source of 1.2 million to 2.4 million tons, about 2-3 times current production levels.<sup>3</sup> Development of fish farming is not without its problems, however. Morisawa notes the problems of pollution in Japan's close inshore waters.<sup>4</sup> Marine aquaculture is also a very expensive process. (For example, one present technique of raising yellowtail involves the use of eight kilogrammes of sardine as feedstuff to produce one kilogramme of yellowtail.) Nevertheless, the Japanese Government is determined to push ahead with fish farming, and in 1975 the JFA launched an ambitious seven-year programme in the hope of raising annual production by 270,000 MT.

It is possible that the Japanese can reduce marginally their demand for 'foreign' fish by more efficient processing of the fish currently available. For example, the processing of Alaska pollack into *kamaboko* is very wasteful, where only about 50 per cent of the protein from this fish is utilised. The Japanese are fully aware of this problem, and are working on new processing techniques which would save some of the protein now lost in manufacture.

It might appear that there is another policy option available to Japan which would reduce that country's dependence on overseas supplies of fish - namely, the consumption of less fish products, with a parallel increase in the consumption of livestock products or plant protein. While this strategy might appeal to some DWFS it is unlikely

1. According to T. Saito of the National Federation of Fisheries Cooperatives, quoted in Motokichi Morisawa, *op.cit.*, p.30.

2. *Fisheries Statistics of Japan 1976*, *op.cit.*, p.14.

3. G.W. Kitson, *op.cit.*, p.27.

4. M. Morisawa, *op.cit.*, p.30.

to find favour with the Japanese Government. First, if this option involved the substantial reduction of Japan's fishing effort, there would be strong political opposition from the domestic fishermen. Second, as the following paragraphs demonstrate, there are many other problems which make increased consumption of non-fish protein difficult for the Japanese.

The acquisition of protein from non-fish sources has *always* been a difficult task for Japan. Burdened with one of the world's largest populations per unit area of arable land, Japan is generally unsuited for large-scale production of livestock, animal feedstuffs and protein-rich plants such as soya beans and wheat. As a consequence, Japanese food consumption levels - particularly of meat and dairy products - have traditionally been low when compared with the standards of other industrialised countries. But with the growth of incomes in Japan over the past two decades or so, paralleled by a growing preference for Western foods, there has been an increased demand for animal protein. This trend has created serious problems for Japanese food policy makers.

To an outsider unfamiliar with the Japanese scene the answer would seem to be for Japan to import its protein requirements. There are, however, many problems associated with this option.

First, the Japanese - probably more than most other peoples - have a deep-seated feeling of insecurity concerning their dependence on others for the supply of basic foodstuffs and other strategically important commodities. Throughout much of the post-war period Japanese anxiety in this area remained dormant for, during the 1950s and 1960s, the global food supply situation was generally favourable. (The problem then lay with the major grain-exporting countries who had to regulate surplus productive capacity and had to somehow dispose of excess agricultural products.) The Japanese Government's policy in those days was one of encouraging industrial growth and to import foods from countries which could produce them more cheaply. The agricultural sector was allowed to wind down to the point where Japan was, in 1973, producing only about 73 per cent<sup>1</sup> of its food needs, compared with 90 per cent in 1960.

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1. The question of measuring food self-sufficiency levels in Japan is a difficult one: Kitson notes 'Self-sufficiency calculations in Japan are based on food balance sheets showing physical volumes of food used, and wholesale prices which were operative in 1965'. If one uses more recent prices, and measures self-sufficiency on a food value basis, Japan's food self-sufficiency is, in fact, much less - probably under 40 per cent in 1977. See G.W. Kitson, *op.cit.*, p.5.

Japan's latent fears over food dependency revived in 1973 when President Nixon placed an embargo on the export of soya beans. (Japan was then consuming over four million tons of soya beans a year, 90 per cent of which came from the United States.) Closely following the soya bean *shokku* came the Oil Crisis. The Minister of Agriculture and Forestry felt constrained to remark:

'The situation caused the people to recall their memories of starvation and hardship experienced during and immediately after World War II because we Japanese depend heavily on food and oil imports from abroad.'<sup>1</sup>

More and more people in Japan swung round to the view that their country should try to increase the level of self-sufficiency in food. In 1975 the Japanese Government announced a plan to increase the level of self-sufficiency in food to 75 per cent by 1985. The plan includes an increase in domestic beef production over the 1972 level of almost 100 per cent. As part of its overall food policy, Japan reversed a trend of progressive agricultural trade liberalisation. In 1974, Tokyo unilaterally suspended all beef quotas to foreign exporters in response to a sudden downturn in domestic demand. The quotas have since been reinstated but at a reduced level.<sup>2</sup>

Domestic political factors also work against increased imports of foodstuffs into Japan. The enormous political power of the rural sector and its influence through Diet lobbies and the massive farmers' cooperative organisation - *Nōkyō* - has already been referred to. It can be argued that the political survival of the LDP Government depends on the farm vote.<sup>3</sup> In return for rural support the Government has introduced price support schemes for most agricultural commodities and has either delayed or abandoned trade liberalisation for many food imports. As a result, the domestic wholesale prices for beef and dairy products are set substantially above world levels.

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1. Zenko Suzuki, *op.cit.*, p.1.

2. Other impediments to the smooth trade in beef and other agricultural products exist, including a six-monthly rather than annual announcements of beef import quotas, which allow little time for overseas beef producers to adjust to new market conditions. (A more detailed discussion of this subject appears in the case studies.)

3. For more on the political influence of the rural sector in Japan and its impact on that country's agricultural policies see A.D. George *Political Factors Influencing the Beef Trade in Japan*, a paper delivered at the Second New Zealand Political Studies Association Conference, Auckland, 26-28 August, 1977.

Under the State Trading System these products are imported largely by the Livestock Industry Promotion Corporation (LIPC) and the prices of these imported items fixed at the domestic level.

The Japanese consumer is, therefore, forced to pay very high prices for the beef and dairy product components of his diet. These prices have helped to keep per capita consumption of farm-based animal protein at relatively low levels.<sup>1</sup> By 1976/1977, however, the Japanese consumer was faced with the additional problem of having to pay much higher prices for the more popular species of fish. If he (the consumer) wished to maintain his protein intake he was faced with the choice of: paying dearly for popular cuts of meat or fish; increasing his consumption of cheaper meats and fish species; or putting further pressures on the Government in Tokyo to relax its curbs on the importation of beef and dairy products.

All these factors - especially the lack of significant alternative (that is, non-coastal state) fishing grounds, the difficulty of providing non-fish protein for the national diet, and the continued preference of many Japanese for fish foods - has narrowed the range of policy options available to Japan. Further limiting the choice of options is the desire to maintain the viability of the Japanese fishing fleet without a major reduction in fleet size.

It is this last factor - together with Japan's concern not to be too dependent on others for the supply of basic foodstuffs - which accounts for Japan's reluctance to adopt a policy encouraging a massive increase in fish imports. Nevertheless, it seems inevitable that the share of imported fish in Japan's total fish consumption will continue to increase. Even in 1976 (that is, before the widespread establishment of 200-mile zones) Japan was one of the largest importers of fish in the world. That year, no less than 12 per cent of the volume of fish consumed in Japan came from imports<sup>2</sup>, up from about nine per cent in 1972. Over the decade 1967-76 the value of Japan's fish imports had increased sevenfold. However, it should be stressed that

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1. Kitson noted in February, 1978, that 'Indications are that the depressing effect of prices on [livestock products] consumption is very high with recent price elasticities calculated by the Ministry of Agriculture and Forestry being greater than one,' *op.cit.*, p.6.

2. It may be noted that in 1976 the volume of Japan's imports of fish (1,136 million MT) was slightly larger than the volume of its exports of fish (1,029 million MT).

a very large percentage of these imports (at least in terms of value) was taken up by high value items - such as shrimps (see Fig.2), eels, and salmon roe - which the domestic fleet had limited capacity of harvesting.

By 1977, however, following the establishment of many extended fishing zones overseas, Japan's imports of high priced fish either stabilised or decreased, whereas the imports of lower priced fish - such as mackerel and sardines - sharply increased.<sup>1</sup> The Japanese Government was obliged to expand its import quotas for some of these lower priced items.

Some of the States which have declared 200-mile fishing zones have expressed a desire to increase - or commence - fish exports to Japan. As noted in the previous section, Canada and the United States are two such countries which early used their bargaining leverage over fishing access to persuade Japan to open up its markets for imported fish. The United States, for example, had announced in 1978 that it hoped to boost its exports of marine products to Japan from about \$300 million in 1977, to \$1,000 million in the near future.<sup>2</sup>

Japan will probably try to avoid at all costs the extreme dependence of relying substantially on imports of fish from other fishing States. It is likely that the Japanese will prefer the option of lesser dependence - namely that of cooperating with the coastal states in the development of their offshore fisheries. This may take one of two forms: joint venture deals with local enterprises, or the payment of license fees to fish in the host country's zone.

The concept of cooperation in the field of fisheries overseas is not a new one for the Japanese. For some years now the Japanese have been trying to build up a reservoir of goodwill in this area. This cooperation has generally been in the form of economic and technical assistance to coastal states (as part of Japan's foreign aid effort), or as joint commercial fishing ventures with enterprises in the host country.

There are many agencies and institutions in Japan devoted to overseas fisheries cooperation. At the government level, the Japan

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1. See 'Japan: Facing Up to the Problems of 200-mile Limits' *World Fishing*, Vol.27, No.1, January, 1978.

2. Announced by US Commerce Department's Frank during a visit to Tokyo in October, 1978. See the article by Aimune Toru *op.cit.*, p.5.

International Cooperation Agency (JICA - formerly the Overseas Technical Cooperation Agency) sends fisheries experts overseas and provides equipment to foreign countries. It also runs fisheries training centres in Japan where overseas trainees study Japanese fishing techniques. JICA also sponsors research of fish resources in Third World Countries, undertaken by the Japan Marine Fishery Resource Research Centre.<sup>1</sup> Further, the Overseas Fishery Cooperative Foundation (OFCF - established in 1973 by private Japanese fishing enterprises) grants loans to Japanese fishing firms operating in such countries as Mauritania, Australia, the Solomons, New Zealand, Indonesia and Papua New Guinea. The direct recipients of these loans are Japanese companies, but the monies are used for investment in and loans to joint venture companies and local enterprises, for the transfer of fishing vessels and other facilities to the governments of the coastal state concerned, and so on. The funds lent by the OFCF are made available to it by the Japanese Government as subsidies.

Japan's record in the area of fisheries cooperation, however, has not been one of total success. Johnson and Langdon note that a majority of joint fishing ventures entered into by the Japanese in the late 1960s and 1970s recorded early losses.<sup>2</sup> Further, in common with the record of other DWFS, Japanese involvement in these ventures was sometimes of an exploitative nature which created suspicion and some bitterness in the host country.<sup>3</sup> Again, Japan's programme of economic and technical assistance to coastal states has sometimes created more friction than goodwill between Japan and the recipient country.<sup>4</sup>

Despite these problems, the level of Japanese fisheries cooperation continued to grow where, by early 1976, Japanese fishermen were participating in no less than 173 projects in 51 different countries.<sup>5</sup> (See Table 8.)

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1. For more on Japan's efforts at fisheries cooperation with coastal states see 'Developing World Fisheries Resources as Common Property of Mankind', *Look Japan*, *op.cit.*

2. Barbara Johnson and Frank Langdon, *op.cit.*, p.222.

3. *Ibid.*, p.223.

4. One may, for example, cite the example where Japanese aid to Papua New Guinea in 1976 in the form of \$2.5 million for the construction of a fisheries college at Kavieng led to much bitterness in Port Moresby and to a review of the terms of future aid donations from Japan. See Colleen Ryan 'Papua New Guinea Wins Generous Aid from Japan' *The National Times*, December 19-24, 1977, p.50.

5. See Takao Morizane *op.cit.*, p.182.

TABLE 8 - JAPANESE JOINT FISHING VENTURES OVERSEAS (AS OF MARCH 1976)

Region	Country	Number	Region	Country	Number
Latin America	Mexico	1	Asia and Pacific	New Hebrides	1
	Guatemala	1		Nauru	1
	Bahamas	1		Australia	8
	Antilles	1		New Zealand	4
	Colombia	1		Sub-total	89
	Venezuela	1	Africa	Morocco	2
	Guyana	1		Canaries	3
	Surinam	2		Mauritania	1
	Peru	5		Senegal	3
	Brazil	5		Gambia	1
	Argentina	1		Guinea	1
	Sub-total	20		Ivory Coast	1
Asia and Pacific	India	2		Ghana	2
	Sri Lanka	1		Nigeria	3
	Maldives	1		Tanzania	1
	Pakistan	1		Kenya	1
	Burma	1		Madagascar	3
	Malaysia	7		Mauritius	2
	Singapore	1		Sub-total	24
	Thailand	5	Middle East	Kuwait	1
	Vietnam	3	North America	USA	28
	Philippines	10		Canada	8
	Indonesia	11		Sub-total	36
	Hong Kong	3	Europe	Portugal	1
	Taiwan	1		Italy	1
	South Korea	19		Ireland	1
	Papua New Guinea	6		Sub-total	3
	Solomons	1	Total	51 countries	
	Fiji	2		173 ventures	

Source: Takao Morizane *Shin Kaiyōhō Chitsujo to Nihon Gyogyō (The New Order of the Law of the Sea and the Japanese Fishing Industry)* Sōzo Shobō, Tokyo, 1977, p.182



Moreover, one might expect the number of joint fishing ventures, involving both the DWFS in general and the Japanese in particular, to increase substantially following the introduction of 200-mile zones. It would appear that, for the short/medium-term at least, the DWFS and the coastal states are mutually dependent. As noted in the first section of Part II, in many cases the coastal fishing states lack the capital, technology and scientific knowledge to exploit adequately the fish resources of their zones - especially those resources lying in deep and/or distant waters. It is reasonable to assume that they will look to the DWFS to help them develop this capability. Japan, as one of the most advanced DWFS, can expect to be involved in this task. The Japanese will probably find, however, that they will not automatically be approached by every coastal state, but that they will have to compete with other DWFS for participation in these projects. The greatest problem with joint fishing ventures, however, is that, over the longer term, the coastal states may build up their own fishing capability to the point where they can dispense with the DWFS.

Another option that may be available to Japan (along with other DWFS) is that of paying license fees to the coastal states for the 'privilege' of fishing in their zones. But, as noted in the section above treating with the ICNT, there are many uncertainties attached to this option.

First, the coastal states have considerable latitude concerning the choice of foreign fishermen to be issued fishing licenses. If the coastal states abide by the letter and spirit of the ICNT the Japanese should - given the relatively long history of their involvement in coastal fisheries in different parts of the world - expect to have priority of access on the basis of the 'habitual fishing' criterion in Paragraph 3, Article 62. But, as mentioned in the section above covering the Law of the Sea, the Japanese cannot be certain that the coastal states will interpret fairly the guidelines laid down in the ICNT.

Second, the coastal states might insist on payment of very high license fees that would make some DWFS operations uneconomic. The Japanese fishermen are likely to be very sensitive to this problem as many of them are finding it difficult to make a profit following the large increases in fuel prices in recent years. (Further, Japanese labour costs are higher than many of their distant-water competitors - the Taiwanese and Koreans, for example.)

Third, the coastal states might try to use their bargaining leverage over fishing access to extract other concessions from the DWFS. Those concessions sought might be in the field of fisheries - for example, the conduct of specified fisheries research programmes, the training of host country fishermen, the transfer of fisheries technology, or access to DWFS fish markets - or might be in areas quite unrelated to fisheries.

In the terminology of the interdependency literature, it may be concluded that Japan's vulnerability dependence on the coastal fishing states is likely to be high. The Japanese fishermen now face a situation where a large - and probably increasing - percentage of their fish supplies is now under the control of other countries. As it appears that Japan will continue to consume large quantities of fish and is equally determined not to reduce substantially its distant-water fishing effort (at least not in the short/medium-term), that country has no choice but to negotiate fisheries access agreements with the coastal states. These agreements will cover either joint fishing venture arrangements or licensed fishing operations.

### PART III: THE NEW ZEALAND CASE STUDY

In the following case study the analytical framework outlined in Part I will be used to examine how the imperatives of bilateral economic interdependence influence States in their decision to adopt or reject linkage strategies when bargaining with other countries. It will be determined whether New Zealand - a coastal fishing state - decided to use its leverage over fishing access as a means of extracting concessions unrelated to the fishing industry in its fisheries, and other, negotiations with Japan. Special attention is focussed on the reasons why New Zealand finally decided to adopt - or reject - a trade-off strategy.<sup>1</sup> The study will also determine what Wellington finally gained in the way of concessions - whether in fisheries or in other issue areas - from its negotiations with Tokyo.

The case study is divided into three major sections: the first identifies the issues and actors significantly involved in the New Zealand-Japan relationship; the second considers the formulation of policies in New Zealand with respect to foreign fishing access; and the third examines the way in which these policies were implemented including, most importantly, the New Zealand-Japan fisheries and trade negotiations of 1977-78. The case study ends with a brief concluding section.

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1. It should be re-emphasised that in neither the New Zealand, nor the Australian, case study is the information presented exhaustively related to the working hypothesis. This task is reserved for the concluding chapter of the thesis, where comparisons are made across the case studies. It is in the Conclusions, therefore, where it is determined whether New Zealand's (and Australia's) decisions with respect to the adoption of linkage diplomacy were influenced more by the degree of *complexity* of its relationship with Japan, rather than by the specific sensitivity/vulnerability dimensions of this relationship.

## I. ISSUES AND ACTORS

It will be recalled from the analytical framework that this section considers the issues and actors significantly involved in the New Zealand-Japan relationship under three categories: the primary issue area; the secondary issue area; and other issue areas. In addition to identifying these issues and actors, Section I assesses the relative levels of dependence or dominance enjoyed by New Zealand over Japan in each issue area and in the overall bilateral relationship.

### Ia. Primary Issue Area

In the two case studies the primary issue area is given - namely fisheries. It is argued that a coastal state's net bargaining leverage over distant water fishing states in this area is the product of several factors, including: the quality and quantity of the living marine resources found within its offshore waters; other special properties of the offshore area of potential attraction to DWFS such as the seasonality of peak fishing operations and the geographic location of the zone; and the degree to which the coastal state itself depends upon assistance from foreign fishing countries for the development of its own domestic fishing industry. These and other, issues will now be examined.

First considered will be the potential attractiveness of New Zealand's offshore waters to Japan - and other distant water fishing states. This may be determined by: one, assessing the variety and quantity of New Zealand's marine fish stocks; and, two, examining the level of foreign fishing activity in these waters in the period preceding the establishment of New Zealand's 200-mile zone.

In common with most coastal states, New Zealand has only an approximate idea of the fisheries potential of its offshore waters. While much is known about the fish stocks found close inshore, much less is known about the stocks lying farther offshore. Several factors account for the paucity of fish resource data. First, the local fishing fleet has traditionally worked in relatively shallow waters, rarely venturing far beyond the continental shelf. Second, New Zealand has only a limited fisheries research capability which has, until recently been preoccupied with providing information on the stocks historically exploited by the local fishermen. Third, fisheries resource data received from foreign fishing fleets working off New Zealand, while valuable, is of very recent vintage and is far from complete.

A crude estimate of New Zealand's marine fisheries potential may be gained by examining the physical and biotic properties of the offshore zone. A glance at a map (see Fig.2) might suggest that this country, which possesses a coastline some 9,200 kilometres in length and which lays claim to an extended fishing zone of about 1.25 million square miles, has very rich fish resources.

Closer examination will reveal, however, that New Zealand is not blessed with an extensive continental shelf,<sup>1</sup> where the richest concentrations of marine life are usually to be found. The continental shelf rarely extends beyond 200 nautical miles offshore, and off the North Island lies mostly within the former 12-mile fishing zone. The shelf extends somewhat farther offshore off the east coast of the South Island (to about 50 miles) and to about 100 miles south of Stewart Island. Smaller, but significant, areas of continental shelf lie to the south and east of the South Island centred on the Chatham Islands, Bounty Islands, Campbell Island, Auckland Islands and the Mernoo Bank. Further, New Zealand is not a very large land mass, with no substantial rivers which can feed large quantities of nutrients (nitrates and phosphates - so necessary for phytoplanktonic growth) into the sea.<sup>2</sup> Again, unlike countries such as Peru and Japan, New Zealand has no major oceanic upswelling off its coasts, where nutrient-rich deep water is brought close to the surface. There is some upswelling, but it is localised.

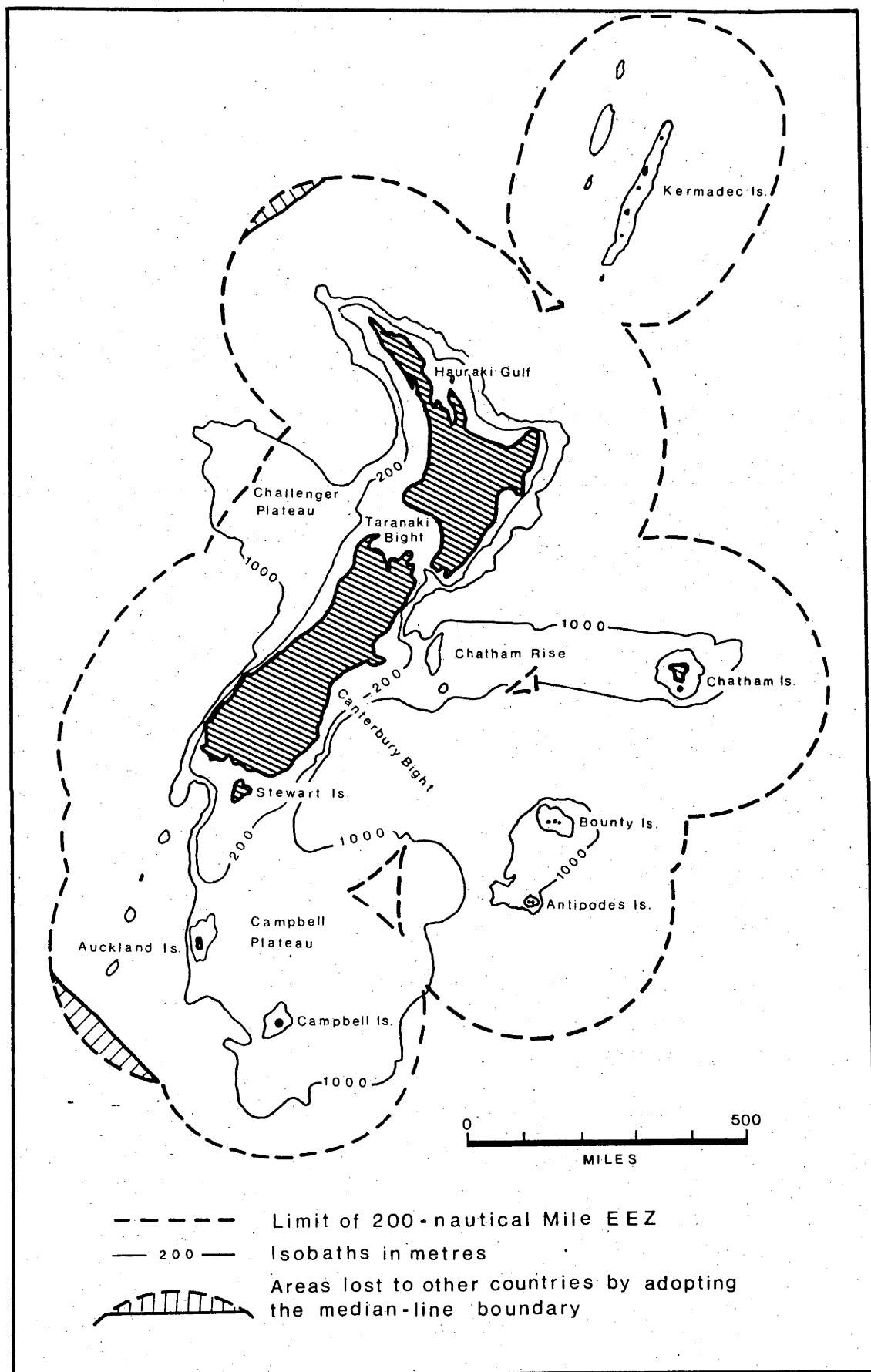
Those resource surveys that have been conducted, together with the fish catch statistics that are available (incomplete though they may be), suggest that New Zealand's marine fisheries potential does not appear to be very large - certainly not when compared with some of the richer northern hemisphere fishing grounds. A more detailed assessment of New Zealand's fish resources now follows.

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1. For our present purposes, it is sufficient to describe the continental shelf as being that area of seabed covered by no more than 200 metres of water.

2. As G. Duncan Waugh (the Director of New Zealand's Fisheries Research Division - FRD - of the Ministry of Agriculture and Fisheries - MAF) points out 'There is one other fundamental factor - the basic oceanic circulation in the South Pacific and Southern Ocean is from west to east. Most of our rivers discharge to the east so that nutrients discharged into the sea tend to be carried away from the land and from the continental shelf. Thus they will tend to be lost in the deeper waters to the east of New Zealand! From an address given to the New Zealand Seafood Processors' Annual Conference at Gisborne, July, 1977, quoted in *Fishing Industry Board Bulletin* (hereafter referred to as *FIBB*) No.42, September, 1977, p.8.

Fig.2 NEW ZEALAND'S EXCLUSIVE ECONOMIC ZONE



The fish resources of the waters off New Zealand (that is within the waters of the extended fishing zone and the territorial sea) might be considered under six headings: coastal demersal fish,<sup>1</sup> deep-water demersal fish, coastal pelagic fish, highly migratory pelagic fish, squid and others.

Coastal demersal fish are those species - in New Zealand, snapper, tarakihi, barracouta, jack mackerel, red cod, trevally, and others - which live on or near the ocean floor down to a depth of about 200 metres. As it is this group which has traditionally been most actively exploited by the New Zealand fishing industry, the resource information base is relatively good. Recent annual catches of coastal demersal stocks have averaged about 60,000 tonnes, with the local industry accounting for about 40,000 tonnes and DWFS the remainder.<sup>2</sup> It appears that the commercially more attractive species - snapper and tarakihi - are being exploited at or near the MSY, while the catches of less popular species are below the sustainable yield. It has been estimated that this fishery could sustain an annual yield of about 100,000 tonnes.<sup>3</sup>

The deep-water demersal stocks are those species - silver warehou, southern blue whiting, hoki, sea perch, hake, and others - which are found in water depths of 200 metres to 1,000 metres. These stocks are currently being exploited almost exclusively by the DWFS. The most important deep-water fishing grounds are the Chatham Rise, Campbell Plateau, east coast South Island, Southland, and west coast South Island.

Estimates of New Zealand's deep-water demersal fishery potential are largely dependent on information supplied by the DWFS. Particularly valuable in this respect are the results from the extensive and comprehensive survey conducted by the Japanese stern trawler *Shinkai Maru* from November 1975 to February 1977. From this survey (and from detailed Japanese commercial catch effort data) Robert Francis

1. Demersal fish are those which are found at, or near, the sea-bottom. Pelagic fish are those found in the upper layers of the sea.

2. Estimated by Robert Francis of the FRD, Wellington. See 'MAF Scientist's Calculations Point to Vast Deepwater Resource' *Catch '78*, Vol.5, No.6, June, 1978, p.22. (*Catch*, is a monthly magazine published by Information Services, Ministry of Agriculture and Fisheries, Wellington.)

3. See J.S. Campbell (ex-General Manager New Zealand Fishing Industry Board) 'Prospects and Problems of New Zealand's Demersal Fisheries' *Australian Fisheries*, January, 1979, p.30.

of the Fisheries Research Division (FRD) has calculated that the fishery 'must be managed at present as if it had a maximum potential production (MSY) of around 250,000 tonnes annually'.<sup>1</sup> Francis, however, believes that the deep-water demersal fishery potential *may* be considerably larger than this, ranging from 600,000 tonnes to as much as 1.4 million tonnes a year. In 1976 and 1977 the total foreign catch of New Zealand's deep-water demersal stocks was reported to be in excess of 200,000 and 400,000 tonnes respectively. The species of greatest estimated potential is the southern blue whiting for which there is, at present, only a very limited market.

New Zealand's coastal pelagic fishery includes those species - kahawai, jack mackerel, pilchards, sprat and anchovy, and others - which live close to the surface or in mid-water, mainly within 12 miles of the coast. As these species are of relatively low value, they have not been heavily exploited. Eggleston (Assistant Director, FRD) is reported to have estimated that this fishery could conservatively sustain a yield of 75,000 tonnes per annum.<sup>2</sup>

The highly migratory pelagic fish found in New Zealand waters include the following members of the tuna family - Southern bluefin, bigeye, albacore, yellowfin, and skipjack. George Habib, a specialist on tuna in the FRD, notes that little is known about the abundance of albacore in New Zealand 'as this species is rarely seen in surface schools and is only lightly exploited.' He did believe, however, that the catch rates (about 1,000 tonnes a year) registered 'by the relatively unsophisticated New Zealand vessels engaged in the fishery indicate that the level of exploitation could be considerably increased.'<sup>3</sup> Somewhat more is known about the surface-swimming skipjack tuna which visit New Zealand waters from November to May. Habib estimated that the skipjack fishery 'will yield about 10,000 tonnes a year on a sustained basis with the present fleet'.<sup>4</sup>

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1. See *Catch '78*, June, 1978, *op.cit.*, p.23.

2. Quoted in Rodney L. Insall *The Management of Foreign Fishing in New Zealand's Exclusive Economic Zone*, unpublished Master of Science thesis, Joint Centre for Environmental Sciences, University of Canterbury and Lincoln College, 1978, p.27.

3. George Habib quoted in 'The NZ Tuna Fisheries - Skipjack and Albacore Predominate' *Catch '77*, November, 1977, p.4.

4. *Ibid.*, p.4.



New Zealand waters contain several species of squid. The species with greatest commercial potential is the arrow squid, closely related to the common Japanese squid (*todarodes pacificus*). Japanese scientists have examined the results of catches from commercial and experimental jig-fishing vessels operating around New Zealand and estimate that the total arrow squid resource could be as much as 300,000 tonnes.<sup>1</sup> The total catch of squid from New Zealand waters (by trawling and jigging - all nationalities) was about 84,000 tonnes in 1977.<sup>2</sup> The Japanese have ranked New Zealand waters as being one of their most important squid fishing grounds.<sup>3</sup> It seems that present catch levels are not adversely affecting stocks, so the sustainable yield for squid might be in the order of 85,000 tonnes a year.

There are other important living marine resources found within New Zealand's coastal waters. Of great importance commercially are rock lobsters (which account for about half the value of New Zealand's fish exports) and shellfish - such as oysters, mussels, paua (abalone) and scallops. But as these resources are confined to New Zealand's territorial waters and are harvested only by the local fishing industry they are not likely to become a source of conflict with foreign fishermen. Further comments on these resources are not, therefore, required here.

It would seem, then, that the total sustainable yield for all fish resources in New Zealand's offshore waters is somewhere between 300,000 and 500,000 tonnes a year.<sup>4</sup> It might be useful to put these statistics concerning the potential yield from New Zealand waters into a broader context. If one accepts an upper figure of 500,000 tonnes

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1. 'Squid - Future for NZ Fishery' *Catch* '77, May, 1977, p.12.
  2. 'Squid Biological Studies' *Catch* '78, November, 1978, p.30.
  3. See 'Japanese Prized NZ Squid' *Catch* '78, May, 1978, p.23.
  4. Campbell, for example, notes that in 1977 the declared total catch of demersal fish and squid reached 475,000 tonnes, but added 'there is no guarantee that this total production could be maintained 'due to the incomplete knowledge of the resource potential - J.S. Campbell, *op.cit.*, p.30. Eggleston is reported to have been even more cautious, saying that New Zealand's stocks may not be able to sustain a level of harvesting in excess of 300,000 tonnes a year. He argued that a 'better idea of the safe yield or total allowable catch should become available over the next two or three years as catch information came in from foreign vessels licensed to fish inside the New Zealand EEZ' - quoted in 'Prime Concern Was Shielding Resource' *Catch* '78, April, 1978, p.3.

a year this still represents only about 0.5 per cent of the total world fish catch, is equivalent to about nine per cent of the catch harvested by Japan in its 200-mile fishing zone, and is about 14 per cent of Japan's catches within 200 miles of all foreign states. Of course, these figures represent only total tonnages for all fish species. For certain species - for example, squid - New Zealand's fish potential is significant even on a world scale.

Moreover, crude tonnages tell us little about the value of the fish. Some fish species are considered by the DWFS to be of high grade and others of low grade. To the Japanese, snapper, trevally, silver warehou, skipjack, southern kingfish, albacore, yellowfin tuna, and Southern bluefin tuna, are all considered top quality fish suitable for *sashimi* - a raw fish dish popular in Japan. Many other species are considered not so attractive by the Japanese fishermen. It was estimated in 1977 that the total value of Japanese catches in New Zealand's offshore waters was somewhere between \$50 million<sup>1</sup> and \$80 million - comprising the squid fishery worth about \$20-30 million, tuna about \$20-30 million, and the trawl fisheries some \$10-20 million.<sup>2</sup>

In addition to the fish resources themselves, there are other factors which explain why DWFS are attracted to New Zealand waters. First, the peak fishing season for some important stocks - including squid and some species of tuna - is the southern summer. This season coincides with the 'off' season for some of the northern hemisphere fisheries. By working New Zealand waters (and other grounds in the South Pacific) during this period, the DWFS can keep their fleets active for most of the year and thus increase the overall profitability of their operations. Second, unlike Australia, New Zealand has - over the years - permitted very free access to its ports by foreign fishermen.<sup>3</sup> Third, following the Oil Crisis of 1973/74, increased fuel costs made the exploitation of fishing grounds in more remote parts of the world uneconomic for some DWFS. It is believed that it

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1. All values in this case study are in terms of NZ dollars (\$NZ).

2. J.S. Campbell, personal communication August, 1977.

3. The New Zealand Fishing Industry Board claimed that 'this lack of coordination in policy between Australia and New Zealand leads to a higher concentration of foreign fishing vessels on the New Zealand coast than there would be if Australian ports were open to foreign fishing vessels'. See 'Sharp Rise in Foreign Fishing Vessels Operating Off NZ Coast' *Commercial Fishing*, October, 1975, p.13.

was this factor that led the Japanese in 1975 to divert some of their fishing vessels operating in African waters to New Zealand. Fourth, the establishment of 200-mile fishing zones in the northern hemisphere had (as noted in Part II) the effect of 'pushing' the DWFS out into new waters in the southern hemisphere. The foreign fishermen appeared to be attracted to New Zealand for one or both of the following reasons: one, to extract as much fish out of New Zealand waters before that country, too, declared a 200-mile fishing zone; and two, to establish 'traditional' fishing rights.

The attractiveness of a coastal state to DWFS may also be gauged by the number of foreign fishing vessels operating in its offshore waters. The following paragraphs provide a brief history of DWFS activities off New Zealand in the period leading up to the establishment of a 200-mile zone in that country.

For the first decade or so after World War II New Zealand fishermen had the seas, and the fish, off their coasts very much to themselves. However, in 1957 the Japanese began to move into this area when longliners chased after the deeper-living tuna which migrated through New Zealand waters. In the early 1960s the longliners were joined by other Japanese vessels fishing for snapper close to the New Zealand coast.

In order to protect the local fishing industry from competition by the Japanese snapper-liners (it will be recalled that snapper is the single most important fish species to the New Zealand fishermen), the New Zealand Government in 1965 passed the Territorial Sea and Fishing Zone Act which provided for the exclusion of all foreign fishing vessels from a 12-mile zone. An agreement on fisheries was also concluded with Japan<sup>1</sup>, in which it was agreed that all Japanese fishing activities in New Zealand's 12-mile zone would be phased out over a three year period. As from 31 December, 1970, no foreign fishing would be permitted within the zone.

However, the establishment of the 12-mile limit had little impact on the number of foreign fishing vessels. From the late 1960s there was a steady build up in foreign fishing off New Zealand.

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1. See *Agreement on Fisheries Between New Zealand and Japan (with Related Documents)*, Department of External Affairs, Wellington, 12 July, 1967.

In 1967, Japanese trawlers arrived to fish the continental shelf outside the new limit. Soon the Japanese were joined by other DWFS. In 1970, Taiwanese and Korean tuna longliners based in Pago Pago arrived. The following year the first Soviet trawlers (including the large 5,000 GRT Atlantik-class trawlers) arrived to work the demersal stocks of the Campbell Plateau. In 1972, Japanese squid boats began commercial operations in New Zealand's offshore waters. Taiwanese and Soviet squid fishermen followed two to three years later. Korean and Taiwanese trawlers joined the Japanese working the fish stocks of the continental shelf. More recently, Japanese and Korean longline vessels have been fishing for demersal fish on the Chatham Rise and Mernoo Bank.

By 1977, the year in which New Zealand declared its EEZ, there were upwards of 400 different foreign fishing vessels operating at a single time offshore. The Japanese continued to have the largest fishing presence. For example, it was estimated that of the 393 vessels believed to be off New Zealand in early March, 1977, some 330 were Japanese - 180 tuna longliners, 126 squid boats, 18 deepwater trawlers, and 6 bottom-liners.<sup>1</sup> There were also 53 Soviet trawlers included in the total.<sup>2</sup> A map which appeared in *Catch '77* that month (March 1977) showed the areas in which these different fleets were operating - see Figure 3.

This does not, however, represent the full range of overseas interest in the fisheries of New Zealand. There were also foreign vessels involved in joint fishing ventures with New Zealand enterprises. As of 1977 there were only four such ventures.<sup>3</sup> (The small number may be attributed, in large part, to the New Zealand Government's reluctance to permit the establishment of many joint venture - JV - enterprises involving foreign fishermen.) But, as will be noted later, by 1977 a very large number of foreign fishing companies were calling upon Wellington for permission to enter into partnership with New Zealand firms.

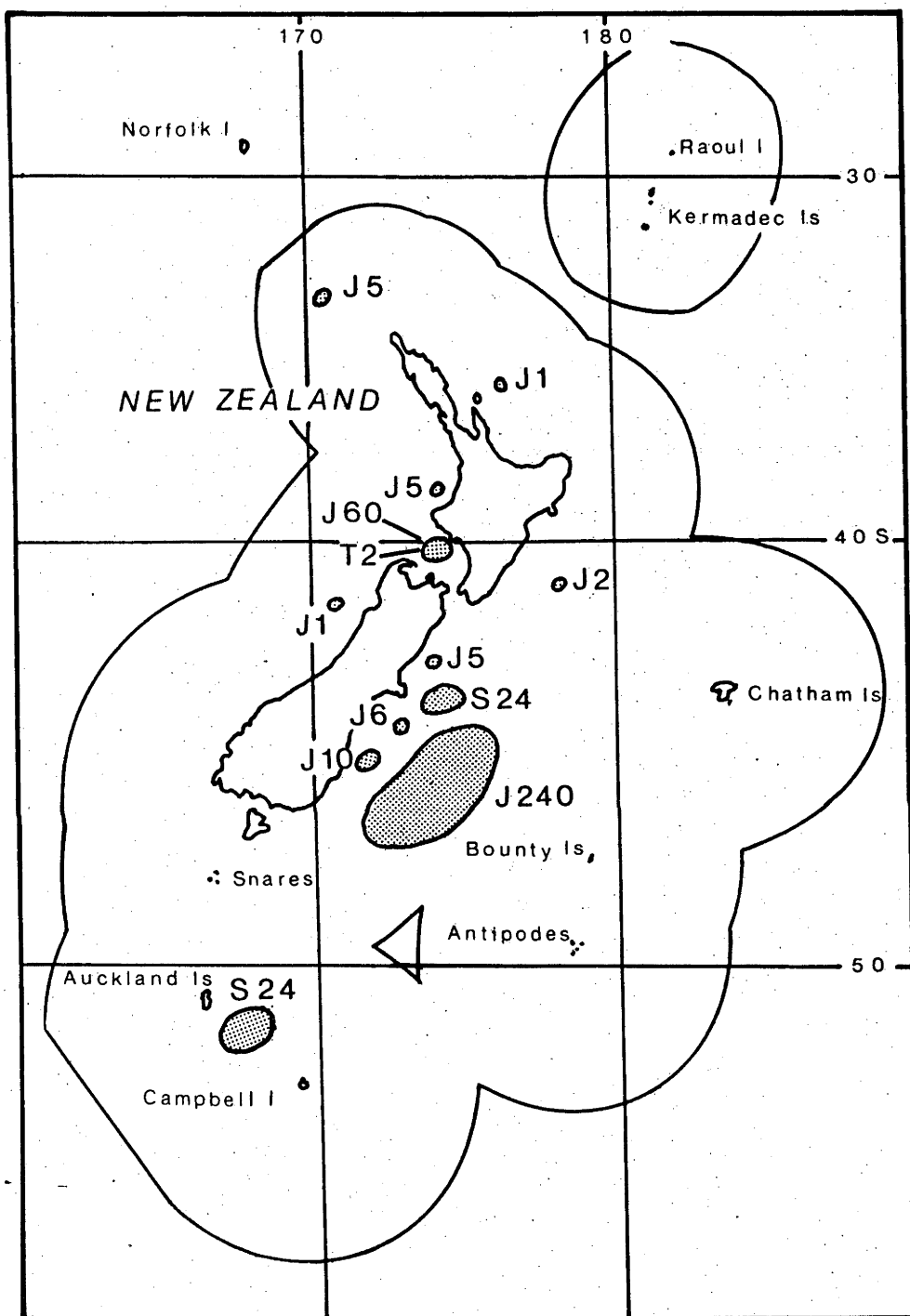
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1. Reported by Val Hinds of MAF at the Symposium on Fisheries in New Zealand and Japan held in Wellington, 4-5 May, 1977. See also 'Fleets Gather As New Zealand Waits to Claim 200 Miles' *Fishing News International*, April, 1977.

2. *Catch '77*, March, 1977, p.14. Note, the total numbers of fishing vessels shown on this map (385) and the national components (Japanese 335, Soviet 48 and Taiwanese 2) vary slightly from those given for 7 March, 1977.

3. The four ventures were: Taimoana Fisheries established between Taiyo Fishing Company and a New Zealand company; Nichimo Company in

Fig. 3 FOREIGN FISHING VESSELS IN NEW ZEALAND WATERS  
ON 5 MARCH, 1977



LEGEND: J-Japanese, S-Soviet, T-Taiwanese.

NOTE: The original map was prepared from sightings by RNZAF Orion aircraft.

SOURCE: *Catch '77*, March, 1977, p.14.

From what has been said above, it appears that New Zealand's offshore waters were in the mid/late 1970s (the dawn of the era of 200-mile Zones) at least moderately attractive to the DWFS. It might, therefore, be reasonably concluded that Wellington would wield considerable bargaining leverage over foreign fishermen in any future negotiations involving fisheries access. However, it should be emphasised that New Zealand's potential leverage in the fisheries area was likely to be reduced somewhat by the local fishing industry's dependence on the DWFS. This dependence existed in almost all branches of the fishing industry: research, catching, processing and marketing. The following paragraphs will describe briefly the structure of the New Zealand fishing industry as it existed in the mid-1970s, and will explore the areas in which that industry was most dependent on the DWFS - particularly Japan.

It has already been noted how New Zealand has only an approximate idea of the fish resources contained within its offshore waters. Most of the research conducted by the Fisheries Research Division has focussed on living marine resources commonly exploited by the local fishing industry - notably the demersal stocks of the continental shelf, and the molluscs and crustacea located close inshore. Limits of staff and funding inhibited detailed research into the fish resources - both demersal and pelagic - found further offshore. What little that *was* known about these deepwater resources was largely the result of catch returns provided by DWFS operating off New Zealand, and of the extensive survey conducted by the Shinkai Maru, 1975-7. It was obvious that if New Zealand were to establish a 200-mile fishing zone, it would - in order to fulfill its obligations under the ICNT<sup>1</sup> - increasingly depend upon the services of the DWFS in the research area.

It was also likely that the establishment of a 200-mile zone would increase the level of dependence on the DWFS of the catching sector of the domestic fishing industry. The following paragraphs will demonstrate that if the local fishermen wished to expand their share

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association with Jaybell Nichimo Ltd. of Auckland; Hokuyo Suisan and C. Itoh in association with Sealord Products Ltd. of Nelson; and Starkist Corporation of California in association with three local companies which formed the New Zealand Pelagic Fisheries Development Company.

1. Where, it will be recalled, the coastal state was obliged to take into account 'the best scientific evidence available to it' in ensuring that proper fisheries conservation and management measures were adopted.

of the fish caught within 200 miles of New Zealand's coasts, they would need higher levels of assistance from the foreign fishing nations.

In common with most other coastal fishing states, the catching sector of the New Zealand fishing industry comprises a large number of small vessels fishing, for the most part, relatively close inshore. Historically, the New Zealand industry has been firmly based on small boat trawling in near-coastal waters for a limited range of demersal fish species for the local market, and the harvesting of rock lobster for the export market. In early 1976, it was estimated that the New Zealand fishing fleet comprised some 3,906 vessels - no less than 2,150 of which were 6 metres or less in length, while only 3 were 33 metres or more in length.<sup>1</sup> (In terms of tonnages, only 3 vessels exceeded 500 GRT in displacement while 57 ranged between 50 and 150 GRT.) These larger vessels were the mainstay of the local fin fish trawling and oyster dredging industries. The numerous very small craft were most active in such areas as line fishing and small net operating, scallop dredging and rock lobstering.

Obviously, this fleet was incapable of harvesting more than a small percentage of the total available fish resources within any 200 mile zone which Wellington might declare. New Zealand's limited fishing capacity<sup>2</sup> applied not only to the deepwater demersal fisheries, but also to the coastal and near-coastal fisheries. For example, it was estimated in 1976 that if the DWFS were excluded from the latter (namely, the coastal and near-coastal demersal fishing grounds) some extra 50,000 tonnes of fish would become available for utilisation by New Zealand commercial fishermen, 'which would require an additional 20 to 30 modern craft, ranging from 20 metres up to 35 metres'.<sup>3</sup>

There were serious doubts whether the local fishing industry could (or would) procure the necessary number of vessels. The high

1. *Review of Fisheries in OECD Member Countries 1975*, Organisation for Economic Co-operation and Development, Paris, 1976.

2. The total New Zealand fishing industry catch for 1977 - fin fish and squid - was 60,624 tonnes. In terms of weight snapper remained the most important wet fish landed, followed by trevally and skipjack. Other important components of the catch included: tarakihi, gurnard, mackerel, shark, kahawai, and barracouta. See Alan Kerr '1977 Landings Up' *Catch '78*, November, 1978.

3. See 'Review of the New Zealand Fishing Industry' *Catch '76*, September Supplement, 1976, p.10.

cost of locally built boats together with the difficulty of raising finance had, in recent years, created a situation where local fishermen were reluctant to invest in additional or replacement vessels.<sup>1</sup> (This situation was aggravated by the Government's ban on the duty-free importation of new and near-new foreign built fishing vessels.)<sup>2</sup> Some sections of the local fishing industry believed that a short-cut method of expanding 'domestic' catching capacity lay in the development of joint ventures and charter arrangements with foreign fishing interests. It was also recognised that the DWFS might further enhance the harvesting capabilities of the local fishermen by providing assistance in new fishing techniques, especially for stocks hitherto unexploited by the New Zealanders - such as squid, and certain species of tuna.

It was also possible that assistance from the DWFS could help overcome some of the problems existing in the processing sector of the New Zealand fishing industry. There are more than 100 registered fish processing plants, varying greatly in size, scattered throughout the country. Many of these plants suffer from the problem - one that is not unique to New Zealand - where processing capacity is in excess of the local availability of fish supplies. Most processing companies are trying to find larger and more productive vessels to obtain greater quantities of, and more evenly spread, fish supplies. The foreign fishermen could ease the supply-shortage by sending all (or part) of their catches to these plants either as partners under joint ventures or other contractual arrangements, or as a result of New Zealand Government pressure - where licences to fish within the New Zealand zone are issued only to foreign vessels that permit their catch to be processed ashore.

But it was probably in the marketing sector of the industry where DWFS (particularly Japanese) cooperation was considered most desirable in New Zealand.

This sector was beset with a wide range of problems. First, the domestic demand for fish is low. New Zealand has only a small population of about three million. Moreover, New Zealanders are predominantly a meat eating people - mainly lamb, mutton, beef, pork and poultry. Per capita consumption of fish is low, at some 5.5 kilograms a year. The New Zealand housewife has the reputation of being

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1. For example, the number of new fishing vessels completed in 1975 was the lowest - only five vessels over nine metres in length - since 1968, when the Fishing Industry Board (FIB) began collecting construction statistics. *Ibid.*, p.7.

2. This ban was relaxed in late 1976.



very conservative in her fish preferences, and despite the fact that some 50-60 species of fish are caught in New Zealand waters only some seven species are readily sold in the shops. Further, the New Zealand fishing industry has to compete with fish imports from overseas which enter the local market either free of duty or with very low levels of duty. In 1976 these imports totalled some four thousand tonnes worth about \$10.6 million and included: fish fingers, canned tuna, herrings, pilchards, salmon, mackerel, crustaceans and molluscs. These factors have led to a situation where supplies of locally-caught fish far exceed domestic demand. The New Zealand industry has, therefore, a strong incentive to export. This incentive is strengthened further by the Government-imposed Price Freeze Regulations on many species of fish, which have increased the gap between export prices and domestic prices.

The future growth of the New Zealand fishing industry is, therefore, closely linked to the industry's ability to sell its catches in overseas markets. At first glance it would appear that the industry had little cause for concern in this area. Over the ten-year period 1967-77, New Zealand's fish exports had increased four times by weight and eight times by value. In 1977, New Zealand exported a record 26,056 tonnes valued at \$50.4 million - rock lobster accounting for \$23.7 million, and fin fish \$21.5 million of the total. Some 80 per cent (by value) of these exports went to three markets - the United States, Japan and Australia.

But there were doubts in New Zealand about the future of the export trade in fish, particularly for those resources - such as squid and certain species of tuna - that the local fishermen might wish to exploit (either by themselves or in partnership with foreign interests) in the near future.

Probably the greatest single problem faced by New Zealand fish exporters was that of market access. Some of the important markets overseas had placed tariffs and quotas on imports of New Zealand fish products; in some cases to protect *their own* catching sector, in other cases to protect their processing industry. In 1977, for example, Japan had an import duty of 10 per cent for squid and mackerel, and the United States a duty of 35 per cent for canned tuna in oil. These trade barriers were particularly galling to the New Zealand industry. First, New Zealand permitted the entry, generally free from duty and not

subject to import controls, of fish products from overseas.<sup>1</sup> (To make matters worse, these imports were sometimes made up of fish that were caught in New Zealand waters.) Second, these trade restrictions overseas did not always apply to DWFS fishermen. The Japanese squid fishermen, for example, were able to import squid (again, some of which is caught in New Zealand waters) into Japan free of duty.<sup>2</sup>

There was also the problem of 'Third Country Trading'. Local fish exporters were disturbed by the way in which some DWFS operating in New Zealand's offshore waters were selling the fish thus caught in overseas markets in direct competition with New Zealand exporters. The South Koreans, for example, were said to sell fish caught off New Zealand on the Japanese market, the Japanese sold New Zealand fish on the Australian market, and the Russians likewise on the Australian market through a processing company based in Singapore.<sup>3</sup> It was felt that there was no way the New Zealand fishing industry could compete with these operators, for the Koreans had a much lower cost structure, the Japanese fishing industry was heavily subsidised (which the New Zealand industry was not), and the Russians had economic priorities quite different from those of New Zealand.

Obviously, if New Zealand hoped to continue to expand its exports of fish (so necessary for the future growth of the domestic fishing industry) it would have to seek the cooperation of other countries - including Japan - in removing these barriers to trade.

This sub-section concludes by identifying those actors in New Zealand most significantly involved in the primary issue area. First, there are the fishermen themselves, numbering some 7,000 in 1977 - a mere 0.6 per cent of the total work force. (In addition, there were those others employed in fish processing, shipbuilding and repair, transportation, and retailing.) The fishermen are represented by the New Zealand Federation of Commercial Fishermen, and the New

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1. See *Report of the Fishing Industry Board for the Year Ended 31 March, 1976*, Wellington, p.17 (hereafter referred to as *Report of FIB.*); and 'President Calls for Growth and Unity in the Industry' *Commercial Fishing*, July, 1977, p.11.

2. G.W. Kitson provides a detailed list of the various marine products subject to import quotas and import duties in Japan. See G.W. Kitson, *op.cit.*, p.45.

3. See 'Foreign Fishing Ventures Show Roundabout Way to Market' *FIBB*, No.40, March, 1977, p.5; and Max Avery 'Government Must Protect NZ from 3rd-Country Fishing' *Commercial Fishing*, March, 1978, p.15.

Zealand Seafood Processors Association. The fishermen also have representatives on the Fishing Industry Board.<sup>1</sup> The bureaucrats having major responsibility for fisheries include those employed in the Fisheries Management and Fisheries Research Divisions of the Ministry of Agriculture and Fisheries. Until March, 1977, Duncan MacIntyre had dual responsibility for the farming and fishing sectors as Minister of Agriculture and Fisheries. In that month, however, a new portfolio was established with J.B. Bolger assuming the position of Minister of Fisheries.<sup>2</sup>

#### Ib. Secondary Issue Area

This sub-section identifies the secondary issue area - that is, that issue (or group of issues) unrelated to fisheries which, if any, Wellington was most likely to link to the question of fishing access in any future negotiations with Japan concerning the EEZ. Sub-section Ib. also identifies those actors in New Zealand most closely associated with the secondary issue area.

The New Zealand Government very early indicated that it might use its bargaining leverage over fishing access to extract concessions from Japan in areas unrelated to fisheries. In April, 1976 - some two years before New Zealand fully established its 200-mile zone and entered into formal fisheries negotiations with Japan - Prime Minister Muldoon made a visit to Tokyo. During that visit he warned senior Japanese Ministers that if Japan wanted to continue to fish in waters controlled by New Zealand, they (the Japanese) would have to grant New Zealand more liberal access to the Japanese market for agricultural products.<sup>3</sup> It should be noted, however, that at this early date Muldoon did not envisage any specific linkages or trade-offs. Where linkages were made, they were in very broad and general terms. It was not until early/mid-1977 that the Prime Minister toughened his stand and made clear and specific linkages between the fisheries access and agricultural trade issue areas. As will be noted later,

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1. The Fishing Industry Board is a statutory body, established under the Fishing Industry Board Act of 1963, and tasked with promoting the development of the fishing industry. It can hardly be claimed to be truly representative of the industry as four of its eight members are appointed by Government; three other members separately represent the fishermen (the catching sector, the wholesalers/processors, and the fish retailers); and the eighth member is the nominee of the Director General of Agriculture and Fisheries.

2. It should be noted that there was to be no separate *Ministry of Fisheries*.

3. See the editorial 'Mr. Muldoon's Style in Tokyo' *Christchurch Press*, 30 April, 1976.

Muldoon was then (in mid-1977) seeking concessions from Japan in the beef, dairy and timber trade areas - as well as seeking concessions for New Zealand's fish exports.

But it is not our purpose in this sub-section to explore the evolution of New Zealand's policies with respect to linkage diplomacy in this area. Such analysis is reserved for Section II of the case study. Instead, the following paragraphs will explore the problems existing in New Zealand's agricultural trade with Japan in order to determine why it was this issue (or group of issues) which was likely to be included in any future negotiations over fishing access.

At this point it might be useful to outline briefly the economic problems facing New Zealand when the Muldoon Government came to office in late 1975.

More than most other countries, New Zealand is dependent on overseas trade for its development and progress. The value of New Zealand's overseas trade as a proportion of gross national product is among the highest in the world. As will be noted in the next sub-section, New Zealand relies on a relatively small range of commodities to generate export income. Among the principal export earners are the products of its rural-based economy - meat, wool, dairy products and forest products. It is, therefore, a matter of serious concern to New Zealand that many industrialised countries give a high degree of protection to the production of foodstuffs. In various international forums - such as the GATT and FAO - New Zealand has argued for the liberalisation of global trade and has condemned agricultural protectionism.

New Zealand's concern in this area increased sharply as it suffered from the impact of the worldwide decline in economic activity following the Oil Crisis of 1973-74, which particularly affected sales of the primary products and raw materials which are New Zealand's major exports. New Zealand's visible balance of trade, which was normally in surplus, registered an unfavourable balance of \$249.5 million for the FY1973-74, and deteriorated further to a negative \$1,141.6 million for the year ending June, 1975.<sup>1</sup> Nor were there prospects that New Zealand's trade balance would soon return to surplus. The terms of trade had shifted against many of the goods

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1. *New Zealand Official Yearbook 1978*, Department of Statistics, Wellington, 1978, p.552.

New Zealand exported, and there were signs of increasing agricultural protectionism in the industrialised countries.

New Zealand's trade with Japan - its third largest trading partner behind the United Kingdom and Australia - reflected the overall trend. As demonstrated in Table 9, for much of the period since 1962 (when full most favoured nation - MFN - relations were established between the two countries) the two-way trade was fairly evenly balanced, although generally in New Zealand's favour. By 1975, however, the balance of this trade had swung sharply against New Zealand.

TABLE 9 NEW ZEALAND'S TRADE WITH JAPAN

Year Ended June	Imports (NZ\$M CDV)	Exports (NZ\$M FOB)
1963	28.0	25.5
1967	48.9	63.3
1971	110.2	102.6
1972	128.6	130.2
1973	166.7	230.2
1974	248.0	248.2
1975	335.6	185.9
1976	401.9	308.6
1977	472.9	402.9

Source: Department of Statistics, Wellington.

Naturally, the New Zealand Government was seriously concerned about this development for Japan was a major market for many of its exports.<sup>1</sup> Particularly hard hit by the trade slump were New Zealand's exports of beef and dairy products. For example, Japan's imports of New Zealand butter fell from 24,857 tonnes in 1974 to 2,202 tonnes in 1975, and its imports of beef decreased from 5,917 tonnes to 3,042 tonnes over the same period.

The question of agricultural exports to Japan has long been a sensitive subject in New Zealand. Ever since the early 1960s, Wellington had prevailed upon Tokyo to take greater account of New Zealand's

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1. For example, Japan was in FY 1976-77: New Zealand's largest customer for forest products, animal feedstuffs, unwrought aluminium, and iron ore; its second largest customer for mutton, casein, hides and tallow; the third largest customer for cheese and fish; and an important purchaser of beef, wool, lamb, butter and milk. Overall, Japan was New Zealand's second largest export market.

position as a stable, efficient long-term supplier of high quality, reasonably priced farm products. Back in 1962, the Joint Communique released by New Zealand and Japan following the agreement on the protocol establishing full MFN relations stated

'In many respects the economies of the two countries were complementary and it would be to the advantage of both if the goods which each could produce most efficiently and economically were available to the other with the minimum of restrictions consistent with each country's international obligations.'

Despite this understanding, the Government of Japan has placed a number of obstacles in the way of access to the Japanese market. The reasons why Japan considered it necessary to impose these obstacles to the trade in agricultural products have already been referred to. In Part II above it was noted that: one, the Japanese Government was determined to maintain an 'adequate' degree of self-sufficiency for many of its food supplies; and, two, the LDP Government was vitally dependent on the political support of the Japanese farmers and was prepared, therefore, to protect the latter from foreign competition in many agricultural commodities. This latter point needs to be emphasised, for there was (as evidenced in the 1962 Joint Communique and elsewhere) a mistaken notion in New Zealand that the two economies were substantially complementary. While it is true that Japan provides New Zealand with many manufactured items not produced by New Zealanders, the reverse situation does not always apply. Many of the agricultural items sold by New Zealand on the Japanese market are also produced in Japan (if uneconomically by New Zealand standards). In fact the Japanese Government has, over the years, treated foreign supplies of beef, butter, skim milk powder and other commodities as residual - to be imported or kept out according to the needs of Japan's domestic stabilisation policies.

The major problem areas in New Zealand's agricultural trade with Japan will now be examined, commodity by commodity.

The principal item of concern for New Zealand in the meat trade with Japan involves that of beef exports. As one can tell from the following Table, the beef trade with Japan is a highly irregular one.

TABLE 10 NEW ZEALAND'S BEEF EXPORTS TO JAPAN

Year Ended June	Tonnes	NZ\$M FOB
1972	4,038	4.0
1973	7,913	8.5
1974	5,917	8.6
1975	3,042	3.6
1976	5,221	7.2
1977	5,195	8.5

Source: Department of Statistics, Wellington.

There are several reasons for this irregularity. It will be recalled from Part II that Japan's stabilisation policies are designed to maintain income levels for its domestic producers. This has involved the maintenance of high consumer prices - often substantially above world levels - with imports allowed only as a means to prevent consumer prices reaching unacceptable limits. Access for foreign beef to the Japanese market suffers from this limitation, and is further restricted by the unsatisfactory system administered by the LIPC which makes announcements of the estimated need for imports at irregular intervals within each of the six-month quota periods. New Zealand beef exporters find it difficult under this system to plan production, storage and shipping programmes, not only for supply to Japan but also to other beef markets. New Zealand's concern about Japan's 'stop-go' buying policies reached new heights during the 16-month period from February 1974 until June 1975 when Japan banned almost all imports of beef.

The New Zealand Government has made many representations to Japan urging the need for long-term trading arrangements, particularly with respect to beef. In July 1977, for example, New Zealand asked Japan to introduce a minimum annual global quota of beef for general use of 100,000 tonnes, with a year's delivery schedule when the quota is announced.<sup>1</sup>

Many of the problems experienced in the beef trade also apply to the trade in dairy products. Butter exports, in particular, have been hard hit by severe fluctuations in demand by the Japanese (that

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1. See *Press Statement: New Zealand/Japan - Economic Relations*, New Zealand Embassy, Tokyo, released 30 March, 1978, p.3. It may also be noted that during his visit to Tokyo in April, 1976, Muldoon complained that under Japan's current import regime for beef, only a short period of prior notice of tenders is given and this restricts the ability of New Zealand importers to compete and supply. He observed that livestock production requires considerable investment and time. He

is by the LIPC). In 1971, Japan imported 924 tonnes of butter from New Zealand. Imports rose sharply over the next few years - to 12,354 tonnes in 1972 and to 24,857 tonnes in 1974. However, in 1975 butter imports plummeted to 2,202 tonnes. Again, as in the beef trade, imports of butter (and of most of the skim milk powder for human consumption) remain tightly controlled by the LIPC. The result is that butter prices to the Japanese consumer are kept at a level which is the highest in the world. Imports have, therefore, little effect on reducing this price level and expanding demand.

Cheese imports to Japan are not subject to quantitative controls but, as noted by Talboys (the Deputy Prime Minister and Minister of Overseas Trade) the relatively high tariff on this product 'is still an obstacle to the full development of the market.'<sup>1</sup>

New Zealand's export trade in sawn timber to Japan faces a number of obstacles. Under pressure from the Japanese sawmillers, Tokyo has imposed a 10 per cent duty on sawn *pinus radiata* timber of less than 160 mm thickness. Further, Japan's industrial code specifications for sawn timber have classified this timber as being unsuitable for use in construction. The Japanese argue that New Zealand *radiata* is too fast growing and has its growth rings too well spread to be acceptable under their strength criteria. The New Zealanders argue in reply that *radiata* is successfully used in the house construction industry in their country, and note that the wide growth rings in *radiata* are more than compensated for by the fibre length of this timber.

Several other important commodities exported by New Zealand face severe obstacles in reaching the Japanese market. The Japanese fruit farmers are protected from foreign imports by - what appear to outsiders - over-strict quarantine regulations.<sup>2</sup> New Zealand

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went on to say 'you can't alter production according to market conditions from year to year as you can with crops by varying the area sown. Assurance of reasonable stability in markets for pastoral products is essential'. See 'New Prime Minister of New Zealand Spells Out Policies' *Asia Pacific Forum*, Wellington, No.12, February, 1976, p.5.

1. B.E. Talboys 'New Zealand's Case for Improvements in the Economic Relations With Japan' *Asia Pacific Forum*, Wellington, No.12, February, 1975, p.9.

2. See, for example, the 'codling moth problem' in the composite paper presented by J.J. Kneebone *Group B - Foodstuffs* at the Second Meeting of the NZ/Japan Businessmen's Conference, Rotorua, 8-9 September, 1975.



wool growers have been angered about the Japanese buying behaviour that in the space of a year pushes prices first to all time highs, then drops these prices to nearly all time lows.

The question facing the Muldoon Government in 1976 was how to persuade the Japanese to remove these barriers to the trade in agricultural products. Given the record of the previous 14 years, it was apparent that diplomatic representations to the Japanese Government were unlikely to have much effect on Japan's restrictive trading practices.<sup>1.</sup>

Some New Zealanders argued that the trading problems would never be solved by working through the Japanese Government. Paul Knight (a New Zealand academic specialising in Japanese affairs) was one of these, and argued that there is another pressure group in Japan which could offset the influence of the farmers and their political allies. He noted how there is a 'sleeping giant on the Japanese scene ... the consumer'.<sup>2.</sup> Knight observed how groups of consumers - particularly the League of Housewives (*Shufuren*) - have occasionally been aroused to considerable effect in the past. Perhaps, he argued, the Japanese consumers could bring pressure on their own behalf on the Japanese Government for a change in the system governing agricultural imports.

Writing some time later, Philip Ashenden - a marketing consultant with experience of the business scene in Japan - also so merit in allying the Japanese consumers to New Zealand's cause. However, he believed that the consumers would not, by themselves, be able to exert sufficient pressure on their Government to bring about the desired changes. He observed that an effective lobby group in Japan also had to include 'strong agricultural figures'.<sup>3.</sup> Ashenden asserted

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1. It may be pointed out that these representations were generally couched in moderate language. New Zealand had gone to great lengths to assure the Japanese that: it had no intention of interfering in Japan's internal agricultural affairs; that New Zealand did not want to put Japanese farmers out of business; and that New Zealand was anxious to remain a stable and reliable supplier of foodstuffs and other commodities to Japan.

2. P.S. Knight 'New Zealand Beef Exports to Japan' *Asia Pacific Forum*, Vol.3, No.12, December, 1977, p.16.

3. See Philip Ashenden *The NZ/Japan Stalemate - Fresh Ideas and Renewed Effort Required*, an address given to the Japan Society of Auckland Businessmen's Group, 9 May, 1978, p.8.

that this 'backdoor diplomacy' - that is, working through agricultural economists, agricultural lobbies, politicians from rural areas, and officials in the Ministry of Agriculture and Forestry - could complement the 'front door' approach conducted by the New Zealand Government.

But, as will be detailed later in Section II, there were other New Zealanders - including, most importantly, the Prime Minister - who believed that the best tactic for bringing fast results lay in rejecting the moderate diplomatic approach adopted hitherto.<sup>1</sup> They believed that by bringing sufficient pressure *directly* on the Japanese Government the latter might be forced to change its agricultural import policies. It was noted how Tokyo had, in the past, been persuaded to change its import policies by countries which had sufficient economic and/or political leverage.<sup>2</sup> While it was recognised that New Zealand did not possess the economic or political 'muscle' that some of Japan's other trading partners could bring to bear,<sup>3</sup> it was believed that now at last New Zealand *did* have a bargaining lever which could be used effectively against the Japanese - namely, New Zealand's control over foreign fishing access to the proposed 200-mile exclusive economic zone.

It remains to identify those actors in New Zealand significantly involved in the secondary issue area (or, more precisely, group of issue areas). First considered will be the farmers. It has been estimated that in 1976 the total farming population was 143,035 -

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1. See A. Haas 'Dispute Over Access to Japan' *Asia Pacific Forum*, Vol.4, No.2, February, 1978.

2. Kitson, for example, has observed how in the early 1970s the United States successfully negotiated entry for grapefruit against the opposition of Japanese mandarin producers. G.W. Kitson 'Perspective on New Zealand-Japan Trade and Economic Relations' *Asia Pacific Forum*, Vol.3, No.12, December, 1977, p.10. See also his paper *A Comment on Fisheries and Agricultural Trade Relationships Between New Zealand and Japan*, *op.cit.*, p.8, where he gives further examples of Japan making trade concessions under duress.

3. It was widely recognised in New Zealand that Japan is far more important to the New Zealand economy, than is New Zealand to Japan. In FY 1976-77, New Zealand supplied only one per cent of Japan's imports and ranked as Japan's 20th supplier; while as a market for Japanese exports New Zealand ranked only 30th taking 0.7 per cent of Japan's total exports. That year, however, Japan was New Zealand's second largest export market (taking 11 per cent of total exports), and its third largest supplier (accounting for 13 per cent of total imports).

about 11 per cent of the total New Zealand work force. Given the fact that a large percentage of these farmers engage in more than one activity (for example, sheep farming with beef or sheep farming with cropping), it is reasonable to assume that most New Zealand farmers have - in one way or another - a vital interest in the export trade with Japan. In addition to the farmers, there is a very large number of other workers in the private sector associated with the agricultural export trade engaged in processing plants, packaging, transportation, and so on. New Zealand's major agricultural representative group is Federated Farmers of New Zealand.

The bureaucrats with major responsibility for agricultural matters are officials in the Ministry of Agriculture and Fisheries, and those in the Department of Trade and Industry who are concerned with the promotion of New Zealand's export trade in rural commodities.

Given the importance of agriculture in the New Zealand economy it can be argued that almost all politicians - particularly those from rural electorates - have an interest in the agricultural export trade. However, those Ministers having greatest interest in this area - and having direct responsibility for agricultural trade matters - are the Minister of Agriculture and Fisheries,<sup>1</sup> D. MacIntyre, and the Minister of Overseas Trade, B.E. Talboys.<sup>2</sup> The Prime Minister, R.D. Muldoon, should also be included in this group of actors for, as leader of the ruling National Party, he was vitally dependent on the political support of New Zealand's farmers. (In this he had an affinity with his Prime Ministerial counterpart in Japan, and with Doug Anthony the leader of the 'junior' coalition party - the National Country Party - in Australia.)

#### Ic. Other Issue Areas

This sub-section identifies those other issue areas in the New Zealand-Japan economic relationship - and those actors in New Zealand most significantly involved in them - not included in the primary and secondary issue areas examined above.

It is readily apparent that the bilateral economic relationship

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1. It will be recalled that in early 1977 a new portfolio - Minister of Fisheries - was created. As from that date, MacIntyre was Minister of Agriculture.

2. Also Deputy Prime Minister and Minister of Foreign Affairs.

is a relatively simple one, especially when measured in terms of the range of items traded between the two countries. New Zealand, for the most part, exports to Japan the products of its rural-based economy, and imports from Japan manufactured items.

The major commodities exported by New Zealand to Japan in the year ended June 1977 are listed in Table 11. The dominant place occupied by agricultural items in this list will be noted - most of which belonged to that group of commodities in the secondary issue area described above. In fact, it is assumed here that *all* these agricultural commodities belong to that category. As implied above - and as will be explained more fully later - in addition to seeking concessions from Japan with respect to specific trade items in the agricultural area, Wellington also sought a broader liberalisation of trade for all its rural exports to Japan.

There are only four export items listed which do not emanate from New Zealand's farming sector - aluminium, forest products, iron ore, and fish products. One of these - forest products<sup>1</sup> - belongs to the secondary issue area; and another - fish products - belongs to the primary issue area category. This leaves only two items listed in Table 11 which clearly do not belong to either the primary or secondary issue areas - namely, unwrought aluminium and iron ore. The major features of these two industries will now be briefly examined.

Unwrought aluminium is, in terms of value, by far the most important single commodity exported by New Zealand to Japan. In

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1. It should be noted that some difficulty was experienced in deciding whether to include forest products under the secondary issue area category or the 'other issue areas' category. New Zealand exports a range of forest products to Japan including wood pulp, sawn timber, and logs. It was implied in sub-section Ib. that Wellington only had problems with respect to the trade to Japan in sawn pinus radiata and, in fact, it will be noted later that it was *this* forest product for which New Zealand sought specific concessions from Japan. It could be argued, therefore, that only sawn pinus radiata, and the actors associated with its production and trade, should be included in the secondary issue area. However, the problem arises where the same exporter in New Zealand usually produces both sawn pinus radiata for the trade with Japan and those other forest products - namely, wood pulp and logs - which more fittingly belong in the 'other issue areas' category. Thus it was decided that it was best to include *all* forest products under the secondary issue area category. It may also be noted that this situation often exists in the agricultural sector. Given the fact that a relatively high percentage of New Zealand farmers engage in mixed farming, it is not uncommon to find the same farmer producing items which face severe trade restrictions in Japan as well as producing items which face no such restrictions. (This provides an added reason for putting all agricultural items under the secondary issue area category.)

TABLE 11. MAJOR COMMODITIES EXPORTED BY NEW ZEALAND TO JAPAN IN YEAR ENDED JUNE 1977 - RANKED BY VALUE (\$ MILLION)

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Unwrought aluminium	102.4
Forest products	61.2
Wool	44.1
Animal feedstuffs	24.5
Cheese	18.3
Mutton	14.1
Iron Ore	13.9
Lamb	13.3
Casein	13.0
Hides and skins	9.3
Beef and veal	8.5
Butter	7.5
Milk and cream	7.4
Fish and fish preparations	6.6
Fruit and vegetables	6.4
Inedible tallow	3.6

Total value of these, and other, exports to Japan \$402.9 million.

Source: Department of Statistics, Wellington

the year ended June 1977 it accounted for more than one quarter of the total export trade to Japan. All of New Zealand's aluminium is produced at the smelter at Tiwai Point near Bluff in the South Island. This smelter is owned by New Zealand Aluminium Smelters Ltd., the shareholders of which are Comalco Industries Pty. Ltd. of Australia (50 per cent); Showa Denko K.K. and Sumitomo Aluminium Smelting Co. Ltd. of Japan (25 per cent each). The New Zealand Government is significantly involved in this enterprise, for it provides the electric power for the smelter through the Manapouri hydro-electric project.

Iron ore represented the seventh most important export item shipped to Japan in 1976-77 - amounting to some \$13.9 million, or about 3.5 per cent of New Zealand's total exports to Japan that year. The iron ore comes from black sands found on the western beaches of the North Island. In common with the aluminium industry, the New Zealand Government has an important interest in this trade. There are two separate enterprises exporting iron ore to Japan. The first is the State-owned New Zealand Steel Ltd. which operates an ironsands mining unit and off-shore bulk-loading facilities at Taharoa. The other is a privately-owned enterprise involving New Zealand and overseas interests operating near Wanganui. (It may be noted that the Government maintains strict control over the exports of this commodity. Export licences for ironsands are issued for only a limited period as there is a possibility that the domestic demand for iron ore might increase in the near future.)

There is, of course, another group of actors in New Zealand who are deeply involved in the bilateral trade relationship - namely, the very large number of importers of Japanese products. It has already been noted that in terms of New Zealand's total import trade, Japan was in 1976-77 that country's third largest supplier (behind Australia and the United Kingdom). The major items exported by Japan included: motor cars, electrical machinery, steel, plastics, rubber, paper and paperboard, synthetic textiles, organic chemicals and manufactured fertilisers. New Zealand importers of these products are represented (together with businessmen who export to Japan) in the New Zealand/Japan Businessmen's Association.

There remains one other set of actors having a close interest in the New Zealand-Japan relationship who have not yet been identified. These are the officials in the Ministry of Foreign Affairs who are

involved in almost all important aspects of the bilateral relationship. The Minister of Foreign Affairs - B.E. Talboys - was, it will be recalled, also Minister of Overseas Trade.

Section I concludes with a very brief summary of the degree of dependence or dominance experienced by New Zealand in 1977 in its relations with Japan in each of the issue areas described above, and in its total economic relationship with that country. In the primary issue area it can be argued that New Zealand was more important to Japan than was Japan to New Zealand. While New Zealand fishermen valued the technical and scientific help they received from Japan, such assistance could be obtained from other DWFS eager to fish in New Zealand's offshore waters. The Japanese fishermen, for their part, were anxious to maintain or increase their already substantial fishing presence off New Zealand. In the secondary issue area (or group of areas) the situation was reversed. The share of New Zealand's agricultural exports going to Japan had sharply increased following Britain's entry into the European Economic Community. New Zealand's dependence on the Japanese market was revealed during the world economic downturn following the 1973-74 Oil Crisis, when the introduction of import restrictions in various parts of the industrialised world made it very much of a buyer's market for many of the agricultural items exported by New Zealand. In the 'other issue areas' the balance of dependence was more even. While New Zealand probably welcomed Japanese investment in the aluminium smelter at Bluff, the Japanese must have been conscious of the fact that it was generally a sellers' market for this commodity. With respect to the relative levels of dependence in the *overall* bilateral economic relationship, the trade figures reveal that - without question - New Zealand was far more dependent on Japan than the reverse case.

## II. POLICY FORMULATION

This section examines the process of policy formulation in New Zealand with respect to the establishment and implementation of a 200-nautical mile fishing (or exclusive economic) zone. Emphasis will be given to determining what the various actors identified in the previous section hoped to gain from New Zealand's increased bargaining leverage over foreign fishing access. Particular attention is focussed on the attitude of the different actors towards the desirability of using this leverage to gain concessions from DWFS in areas unrelated to fisheries. Section II also examines the political influence of each of these actors (or group of actors), the policy-making network in which decisions concerning the establishment of the EEZ were made, and the final policy choice. With respect to the latter, it will be determined whether fishing rights were ultimately chosen as a 'lever' to advance New Zealand's broader economic interests in its relations with Japan.

### IIa. Primary Issue Area

First considered will be the policy objectives and political influence of those actors in New Zealand most closely associated with the primary issue area - the commercial fishermen, the officials in the Fisheries Management and Fisheries Research Divisions, and the Minister of Fisheries.

Most of New Zealand's commercial fishermen appeared very much in favour of the establishment of a 200-mile offshore zone. It seems that they believed such a zone could (and should) be used both to curb the worst excesses of the foreign fishermen operating off their coasts and to extract concessions from the DWFS of benefit to the local fishing industry.

The local fishermen had for some time been considering the optimum fisheries management policies needed in the new era of 200-mile zones. Encouraged by developments overseas - where other States were contemplating unilaterally declaring extended fishing zones - the New Zealand fishermen began, in 1975, to call upon the Government to evolve policies for the management of such a zone off their country.<sup>1</sup> The fishermen were naturally anxious to see that Wellington adopted policies which promoted the interests of their industry.

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1. See, for example, J.S. Campbell 'Fishing: the 200 Mile Limit' *New Zealand International Review*, July/August, 1976, p.p.5-6; *Report of FIB*, 1975, p.4; *Report of FIB*, 1976, p.p.5-10; and 'Delegation Seeks Zone



The most comprehensive statement of industry views on this subject appeared in September 1977 - shortly before the passage of New Zealand's Territorial Sea and Exclusive Economic Zone Bill. The Fishing Industry Board had, some months before, sent a questionnaire to leading members of the fishing industry asking for their opinions on the conditions which should be attached to licences granted to foreign fishermen permitted to operate inside New Zealand's 200-mile zone. The answers to the questionnaire were written up in the form of a paper titled *Summary of Industry Views*.<sup>1</sup> It was hoped that the paper would provide those who would be negotiating with the DWFS on New Zealand's behalf an accurate assessment of what the industry expected to gain from the 200-mile zone and how these objectives might be secured.

Uppermost in the respondents' list of priorities was the need for protection from the foreign fishermen, who both competed with the local industry and overexploited some fish stocks. There was general agreement that all 'popular' species currently being taken by the New Zealand industry should be reserved solely for them. In connection with this, it was urged that no trawling should be permitted by foreign vessels over the continental shelf, within the 12-mile territorial sea, or in depths of less than 300 meters. (This applied also to trawling for squid in these areas.) There was also general agreement that no foreign vessels should be licensed for access to highly migratory species.<sup>2</sup>

Turning briefly from the FIB paper, the next few paragraphs explore in greater detail the local fishermen's grievances concerning the activities of foreign fishing vessels off New Zealand.

It will be recalled from sub-section Ia. that in the early 1960s Japanese snapper-liners had arrived off New Zealand, competing with local fishermen for this prime resource. By the mid-1960s the situation had got out of hand, with several clashes reported between local trawlers and Japanese snapper fishermen.<sup>3</sup> The establishment

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Policy' *Commercial Fishing*, June, 1976, p.10.

1. Fishing Industry Board *Summary of Industry Views*, Wellington, 14 September, 1977.

2. It was recognised, however, that the position with respect to the catching of HMS was somewhat unclear, as the industry did not know whether this would be controlled by New Zealand or by some international commission yet to be set up. See *ibid.* paragraph 1.

3. See 'Wanganui Fishermen Angered by Alleged Japanese Action' *Commercial Fishing*, October, 1966, p.29; 'Protest at Japanese Action' *Commercial Fishing*, November, 1966, p.24; and 'Japanese Accused of Intimidation

of a 12-mile fishing zone in 1965 and the signing of a Fisheries Agreement with Japan in 1967 only partially alleviated this problem. Soon many other foreign fishermen (Japanese, Taiwanese, Korean and Russian) came to work New Zealand waters. Some of these new arrivals began operating over the continental shelf, outside - and sometimes inside - the 12-mile limit. By 1977, it will be remembered, there were upwards of 400 foreign fishing vessels operating off New Zealand at any one time.

The New Zealand fishermen continued to voice their concern about the activities of the foreign fishing vessels. They claimed, for example, that the latter were overexploiting some of the valuable demersal fish stocks of the continental shelf. B.J. Kenton (President of the Federation of Commercial Fishermen) echoed the general feelings of the local fishermen when - at the Symposium on Fisheries in New Zealand and Japan held in Wellington 4-5 May, 1977 - he drew the attention of the Japanese present to the plight of the fisheries off the east coast of the South Island.

'We have figures for some of the species of fish taken from this area prior to any foreign fishing. They show us that the catches by New Zealand fishermen of some of the popular species of this area (mainly the Canterbury Bight), that is, tarakihi, mackerel and gurnard were greater than the amount of fish now being taken from that area by the combined efforts of foreign fishing fleets and our boats... Some matters that have greatly concerned us have been the use [by DWFS] of small mesh nets in this area and the taking of small and by our standards undersized fish. It is not economical for us to fish the area because the fish have not reached the legal size but foreign fleets are fishing and taking these very small fish.'<sup>1</sup>

The Japanese fishermen were not considered to be the only culprits in this area. Many New Zealanders believed that the over-fishing that had taken place in the Canterbury Bight and elsewhere

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Inside Limits: Series of Incidents Arouses Men's Fury' *Commercial Fishing*, March, 1967, p.13.

1. From notes taken at the symposium and held at the Japanese Embassy, Wellington.

was due in part to Soviet activities.<sup>1</sup> Again, with respect to pelagic fisheries, Eggleston noted that the local skipjack purse-seine fishery was under threat from American superseiners based in Pago Pago.<sup>2</sup>

The local fishing industry's attitude to foreign fishing off New Zealand was summarised by the FIB in mid-1977 in a submission to the Chairman and Members of the Foreign Affairs Committee. It was there noted how the lack of sovereignty over that area of the continental shelf lying outside the 12-mile limit

'... has resulted in a marked reduction in catch rates and in amount caught by New Zealand fishermen in many areas because the resource has been subject to uncontrolled exploitation by foreign fleets. The absence of any legal means of control has raised the spectre of the ultimate decimation of many of New Zealand's most popular and valuable wet fish species if this pressure was to continue unchecked.'<sup>3</sup>

Returning now to the FIB paper of September 1977, it was strongly argued that when the Minister (of Fisheries) sets total sustainable yields he should 'err very much on the side of safety and conservatism'.<sup>4</sup> The industry further believed that there should be consultation between the Ministry (MAF) and the industry with regard to any species which foreign vessels might be granted to catch.

From what has been said above it should not be concluded that all the local fishermen were totally opposed to the presence of foreign fishing vessels off New Zealand. It was widely recognised that, if the foreign fishermen were strictly controlled, they might bring considerable benefits to the domestic industry.<sup>5</sup> This was reflected

1. The subject of Soviet fishing on New Zealand's continental shelf was treated in 'Exclusive Area for NZ Within 200-Mile Zone is Necessary' *Commercial Fishing*, November, 1976, p.8.

2. In the summer of 1976-77 several incidents were reported involving American seiners and local boats. See Roy Vaughan 'Problem With Seinners' *New Zealand Herald*, 9 September, 1977.

3. *Submissions by the FIB on the Territorial Sea and Exclusive Economic Zone Bill, to the Chairman and Members of the Foreign Affairs Committee, House of Representatives*, Wellington, July, 1977.

4. Fishing Industry Board *Summary of Industry Views*, *op.cit.*, para.5.

5. There were, however, a few New Zealand fishermen who remained unconvinced that the foreign fishermen (no matter what nationality) could benefit the local industry. One who seemed to hold this view was the prominent fisheries personality N.L. Mills of Sanford Ltd., Auckland - the wholesalers/processors representative on the FIB.

in the paragraphs devoted in the FIB paper to such issues as: statistical and other information to be given by foreign craft to the Ministry of Agriculture and Fisheries; the training of New Zealand fishermen by DWFS; and the transfer of fisheries technology.

The respondents also addressed the question of joint fishing ventures involving foreign enterprises. In the words of the paper 'Almost without exception, the industry is highly suspicious of joint ventures.'<sup>1</sup> The industry was of the view that JVs were not a necessary, nor the most suitable, method of gaining access to DWFS markets and technical skills.<sup>2</sup> It was, however, accepted that there could be some areas where JVs might be of benefit to the local fishing industry: for example, in exploratory fishing or assisting in developing a particular industry - such as squid jigging.

The industry believed that JVs should be tightly controlled. Suggested restrictions included: JVs must be only for a short period of time and on a defined phase-out basis; JV vessels should, in general, be manned by New Zealand crews; any fish caught by a JV company should be included as part of the foreign quota; JV vessels should comply with New Zealand survey and manning requirements; and that JV catches should be landed and processed in New Zealand.

A substantial portion of the paper was devoted to seeking ways in which a 200-mile zone might enhance the competitiveness of the New Zealand industry vis-à-vis the DWFS. In this regard, attention was focussed on the licence fees to be charged. It was argued that such fees should vary according to the amount of direct fishing competition between the foreign vessels and New Zealand craft - where a resource was shared the licence fee should be higher than where the resource was not being utilised by New Zealand. Some industry members obviously hoped that the licence fees levied on foreign fishing vessels would not go into general revenues, but would be set aside for the benefit of the industry. Paragraph 19 of the paper

1. *Ibid.*, paragraph 20.

2. Critical comments about joint fishing ventures are to be found in Des Stace 'Joint Ventures: A Marriage of Convenience - But For Whom? *Catch* '78, July, 1978, p.6; Max Avery 'Don't Enter Into Any More Joint Ventures Says Pallot' *Commercial Fishing*, July, 1977, p.19; and J.S. Campbell *The Role of Joint Ventures in the Development of Trade and Fish Between New Zealand and Japan*, a paper presented at the Japan/New Zealand Businessmen's Conference, Rotorua, September, 1975.

said in part

'... any fees paid should be set by the industry and administered by the Fishing Industry Board, and that some or all of the fees received should be made available to the industry and the Board to further the development of the New Zealand industry.'<sup>1</sup>.

The respondents had much to say on the important subject of marketing. There was a broad statement noting

'... the importance of taking every opportunity to develop markets for New Zealand's fish. The future of the New Zealand fishing industry is tied up with this, as the industry cannot expand unless overseas markets are developed in parallel with developments in the catching and processing sectors.'<sup>2</sup>.

Several more specific recommendations were made with respect to marketing. It was suggested that fishing access rights be withheld from countries not prepared to permit free access on their market to the same fish caught by New Zealand fishermen. Alternatively, it was suggested that where tariff barriers existed 'then an equivalent extra fee should be added to the licence fee.'<sup>3</sup>. On the subject of import quotas on specific fish species set by countries seeking access, the respondents felt access should not be granted until such countries removed the quotas. Further, the industry noted that the New Zealand Government should insist that no country given access should involve itself in Third Country Trading.

Towards the end of the paper, the broad policy objectives of the New Zealand fishermen with respect to the establishment of a 200-mile zone were spelt out. It was noted that 'the underlying need to ensure the livelihood of the New Zealand fishermen and the economics of the New Zealand industry must come first'.<sup>4</sup>. In connection with this, it was observed.

'However important meat, wool and dairy product marketing is to the New Zealand economy, the development of fish markets is essential for the development of the New Zealand fishing industry.'<sup>5</sup>.

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1. The New Zealand fishermen might have been influenced here by a decision of the Canadian Government which had made such an allocation to its fishing industry. See *Catch* '78, August, 1978, p.9.

2. *Summary of Industry Views*, *op.cit.*, paragraph 25.

3. *Ibid.*, paragraph 23.

4. *Ibid.*, paragraph 25.

5. *Ibid.*, paragraph 26.

This statement revealed a long-held suspicion by many members of the industry that the Government was not totally committed to assisting the local industry and was, perhaps, prepared to 'sell New Zealand's fishing interests short' in exchange for trade concessions from the DWFS. In mid-1976 several fishermen's representatives had warned of the danger that some politicians might be tempted to trade access rights in return for sales of New Zealand agricultural products. In his letter to the Minister of Agriculture and Fisheries in July 1976, the Secretary of the New Zealand Seafood Processors' Association (I.R. Hamilton) had stated

' We remain wary ... that the New Zealand fishing industry, in general terms, could be considered a useful piece of property by some people to be traded off in international negotiations with other countries in an endeavour to secure a foothold for more traditional forms of New Zealand produce.'<sup>1</sup>.

A year later, Kenton took up this issue and noted 'I become very concerned when I read about using the fishing industry and fishing rights as a bargaining point in negotiations on agricultural products, etc.'<sup>2</sup>. Interestingly he added that, *while he did not object to the broad strategy of seeking trade-offs for fishing access*, he wondered

' Why is it that every member of Parliament who uses this approach in his speeches (and this includes the Prime Minister himself) seems to leave our fish exports off the list? It is fair to say that if our fisheries are to increase, we are going to rely heavily on countries presently fishing our waters to take our increased catch and it is imperative that fish exports is included on the list of export goods when fishing rights are discussed.'<sup>3</sup>.

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1. Other fishermen had expressed similar concern at this time. See, for example, the article by P.J. Stevens (President of the Wellington Trawlermen's Association) 'A Fisherman's View' *New Zealand International Review*, July/August, 1976, p.7.

2. President's Report to 19th Annual Conference of the New Zealand Federation of Commercial Fishermen, Christchurch, 1-3 June, 1977.

3. *Ibid.*

These statements reflected divisions within the fishing industry with respect to the question of trade-offs involving foreign fishing access. Some fishermen were strongly opposed to any form of linkage diplomacy, fearing that their industry might suffer in consequence. Others - like Kenton and N. Jarman (Chairman of the FIB) - were less opposed to trade-offs and appeared to appreciate the serious problems facing the New Zealand economy in general, and the particular difficulties of selling agricultural products onto the Japanese market. The latter seemed prepared to support the Government in its overall strategy of linking fishing access to the agricultural trade issue so long as the Government also included New Zealand's fish exports on the list of items for which concessions were to be sought from Japan.

It is difficult to determine whether the attitudes of Kenton and Jarman (and others like them,) towards trade-offs were prompted by unselfish considerations, or were rather a realistic appreciation that there was little they could do to influence the Government's decisions in this area. As mentioned above, the fishermen were few in number and possessed very little political influence - certainly so when compared with the agricultural lobby in New Zealand.

The analysis now turns to an examination of those officials in the Fisheries Management and Fisheries Research Divisions (Ministry of Agriculture and Fisheries), to determine what their attitudes towards linkage diplomacy involving fishing rights might have been.

The bureaucrats responsible for fisheries were publicly silent on the question of trade-offs. There are at least two possible explanations for this silence. First, within the Ministry of Agriculture and Fisheries these two Divisions were very much the junior partners. If ever there was a clash of interests between fisheries and agricultural matters, they were almost certain to be 'outgunned' by the Agricultural Divisions. Second - as will be noted shortly - their own Minister (J.B. Bolger) was generally supportive of the Prime Minister's strategy of linking fishing access to broader trade issues.

It is interesting to note how the bureaucrats in MAF had failed, over the years, to take strong action against the foreign fishermen despite urgent calls from the domestic fishing industry. For example, in 1975 the FIB claimed that the Government's liberal port access policies - which had contributed to the build-up in foreign fishing activities - may have been linked with trade agreements negotiated with the DWFS. The FIB had stressed

'...if port access to foreign vessels was included in previous trade agreements, there is an obvious need to revise such agreements in the light of the build-up of foreign fishing activity, and that the Board would hope to be consulted in regard to any proposed concession to foreign nations in future trade agreements.'<sup>1</sup>.

It was then implied that the MAF's concern to maintain harmonious relations with the Japanese (and Russians) - who were important customers for New Zealand's agricultural exports - accounted for the way in which the Fisheries Divisions have, at times, tended to de-emphasise the adverse effects of foreign fishing.<sup>2</sup>.

In early 1977, an article in *Fishing News International* noted how the FIB and the New Zealand Federation of Commercial Fishermen had made frequent requests to their Government to approach the Japanese and Russian authorities concerning fisheries violations by their nationals. The article continued

'They [the FIB and the NZ Federation of Commercial Fishermen] have recently been critical of the lack of action in this regard attributing the five year delay in approaching the Japanese to a conflict of interests in the Ministry of Agriculture and Fisheries.'<sup>3</sup>.

Kenton made similar claims that year. In referring to the rapid build-up in foreign fishing activity, he implied that there was a connection between the failure of the Fisheries Management Division to inform the public of this build-up, and the so-called 'fish-for-beef' strategy against Japan. In Kenton's words

'A question we must keep asking ourselves is why our own Fisheries Management Division has not brought to the notice of Government and the public in general what is happening. Perhaps there is some other motive behind all this. I become very concerned when I read about using the fishing industry and fishing rights as a bargaining point in negotiations on agricultural products etc.'<sup>4</sup>.

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1. Quoted in 'Sharp Rise in Foreign Vessels Off NZ Coast' *Commercial Fishing*, October, 1975, p.13.

2. See, for example, D. Eggleston's comments in 'Japanese Fishing Boats Effects Exaggerated' *Commercial Fishing*, February, 1976.

3. 'Fleets Gather As New Zealand Waits to Claim 200 Miles' *Fishing News International*, April, 1977, p.23.

4. From his address to the 19th Annual General Meeting of the New Zealand Federation of Commercial Fishermen, 1-3 June, 1977.



It was evident that, in the period leading up to the establishment of New Zealand's 200-mile zone, the MAF was unlikely to oppose strongly (if at all) Muldoon's linkage diplomacy. The Ministry appeared to conceive its role narrowly as one of giving expert advice concerning the technical aspects of fisheries management. The Fisheries Research Division and the Fisheries Management Division busied themselves by drawing up a detailed report of the fish resources within the 200-mile zone. This involved making an inventory of fish stocks, including assessing the age and growth rates of certain fish species; presenting recommendations regarding permissible annual catch rates; estimating the capacity of the New Zealand fishing industry to harvest these fish; and calculating the surplus available to DWFS.

There is little doubt that the Fisheries Divisions actively supported the establishment of a 200-mile exclusive economic zone off New Zealand. In fact, the officials in MAF saw the era of extended fishing zones as one which would provide new opportunities for the further development of the New Zealand fishing industry (and, perhaps, the further expansion of the Fisheries Management Division?). These bureaucrats encouraged the commercial fishermen to 'think big' and won Government support for a number of incentives<sup>1</sup> to enable greater domestic participation in offshore fisheries exploitation.

Somewhat paradoxically, Muldoon's trade-off strategy against Japan (where fishing rights were to be linked to agricultural trade issues) received strong support from J.B. Bolger - the new Minister of Fisheries.

For some years certain sectors of the New Zealand fishing industry had urged Government to create a separate ministerial portfolio covering fisheries. These demands increased in 1975 and 1976 when it became obvious that New Zealand would soon have a 200-mile fishing limit, and it was recognised that the burden of work on the existing Minister (Duncan MacIntyre, who was responsible for both Agriculture *and* Fisheries) was becoming more onerous. When the new portfolio was established in March, 1977, many fishermen must have believed that their industry would receive stronger support at the higher levels of decision-making.

But it was soon apparent that Bolger (probably no less than MacIntyre before him) had divided loyalties between fisheries and

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1. These incentives will be detailed in sub-section IIe.

agriculture. First, in addition to his fisheries responsibilities, he also had charge of certain rural industries as Associate Minister of Agriculture. Second, he was considered a 'rising star' within the National Party. Possessed of at least average political ambition, it was obvious that Bolger (who was also an ex-farmer) would not wish to endanger his political career by alienating the most important sector of National Party support - the agricultural lobbyists. Third, he was hand-picked for his post by Muldoon. He was unlikely, therefore, to attack his mentor's policy towards the Japanese.

It is a tribute to Bolger's political skills that he was able to support the 'Muldoon diplomacy' without seriously undermining his credibility with the New Zealand fishermen. In all his public statements he tried to convince the industry that their interests would not be sacrificed by bargaining access to the zone in exchange for broad trade concessions. For example, in April 1977, he noted how New Zealand could not, under the ICNT, totally exclude foreign activity in the expanded zone. But, he added, such access will be 'on New Zealand's terms and will be for the benefit of New Zealand as a whole'. He continued by noting that when access to DWFS is being considered

'New Zealand shall take into account all relevant factors, including our total trading relationships with the countries concerned, including access to markets for New Zealand's increased catch. This does not mean "selling out" our New Zealand fishermen - when we are discussing foreign fishing countries' involvement we are talking of fish surplus to New Zealand catching capacity.'<sup>1</sup>

Many times over the next few months the Minister spoke up on this issue, trying to allay industry suspicions. In his address to the New Zealand Seafood Processors' Association he observed

'Government has been criticised by some members of the fishing industry for using possible third nation access to our 200-mile zone to gain a better deal for our primary exports. It would be nice if we did not have to do this but it would be patently naive if we gave access to

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1. J.B. Bolger, address to South Auckland National Club, Auckland, 13 April, 1977.

the zone on terms less beneficial to us than they might otherwise be. There is some hard bargaining in front of us on this matter and our aim, as I have said many times, is to get the best possible deal for New Zealand and by that I include the New Zealand fishing industry. When we get down to the face-to-face negotiations I am sure that one of the questions raised will be access to these other nations' markets for our own fish products.'<sup>1</sup>

Bolger went to great lengths to demonstrate that he - and the Government - was deeply committed to expansion of the industry. He noted how: the Government had introduced into Parliament the Territorial Sea and Exclusive Economic Zone Bill, with all that implied for the control of foreign fishing; planning for management and policing of the zone was well under way; studies into New Zealand's fishing boat building capacity and personnel training were being completed; financial assistance to the industry was being stepped up; careful consideration was being given to the role joint ventures might play in the development of the industry; and surveys were being conducted on the size of the resources and New Zealand's catching and processing capacity.

Despite his support for the negotiating strategy towards Japan, the Minister of Fisheries was not singled out for personal attack by the fishermen - in fact, he appeared to retain their respect. Bolger appeared as a dynamic, well informed, Minister, and compared more than favourably with the Opposition spokesman for fisheries - M. Courtenay. As will be noted later, Bolger was fortunate in that the Labour Party had as yet - that is, in mid-1977 - not developed a well defined fisheries policy of its own. It was only later, in mid-1978, when Muldoon's 'fish-for-beef' strategy seemed to be failing, that Labour advocated the adoption of 'fish-for-fish' diplomacy.

#### IIb. Secondary Issue Area

Next considered are the policy objectives and political influence of those actors in New Zealand most intimately associated with the secondary issue area: the farmers and their representatives (particularly in the beef and dairy areas); the bureaucrats primarily responsible for the trade in agricultural products; the Ministers of Agriculture

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1. J.B. Bolger, address to the New Zealand Seafood Processors' Association, Gisborne, 1 July, 1977.

and of Overseas Trade (D. MacIntyre and B.E. Talboys); and the Prime Minister (R.D. Muldoon). In particular, it will be determined whether these actors supported trade-offs between fishing access and other economic issue areas.

Not long after Muldoon first raised the prospect of adopting a linkage strategy against Japan, the major agricultural interest groups in New Zealand made clear their support for such a strategy. Most, if not all, the agricultural sector would probably have agreed with the sentiments expressed by A.L. Friis (the Chairman of the Dairy Board<sup>1.</sup>) when he addressed the New Zealand Dairy Conference in June, 1976. It is worth quoting Friis at length for his observations were widely reported in the media and created much anxiety within the fishing industry.

'Mr. Minister, [D. MacIntyre was in the audience] I note that amongst your portfolios you include fisheries. Is it not ironic that we allow countries to come to New Zealand to fish for protein near our shores, while at the same time some fail to purchase our meat and dairy produce which could supply their protein needs? With an extension to a 200-mile limit imminent may I suggest that you could redress some of the balance in this trading climate.

If a country needs to fish our protein let it take a reasonable quantity, proportionate to its purchases of our meat and dairy protein. If it does not purchase from us I think it is fair to say that they must be near to self-sufficiency and should not look for our natural resources on a free basis. I seriously suggest that those who keep us out of their markets by restrictive import policies should be kept out of the exploitation of our waters until there is a realistic quid pro quo'.

John Kneebone - President of Federated Farmers, undoubtedly New Zealand's most powerful private interest group - made similar comments in August, 1976, when he observed that his Federation favoured such

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1. The New Zealand Dairy Board is a statutory authority acting as the administrative body for the industry and as its export marketing agency. Of the board's members, 11 are elected by the dairy cooperative companies and two are appointed by the Government.

trade-offs. According to Kneebone 'the idea of bartering fishing and our other sought-after resources is not a new one. Discussions along these lines are in their third year of development within the Japan/New Zealand Businessmen's Association.'<sup>1</sup>

As far as can be ascertained, neither the bureaucrats responsible for agriculture within the Ministry of Agriculture and Fisheries nor their Minister (D. MacIntyre) made any public comments on the question of trade-offs linking fishing rights with trade concessions from Japan in the agricultural area. There are several possible explanations for their silence. Assuming that these actors supported the concept of linkage diplomacy (which, from what has been written above seems a reasonable assumption) they need not have broadcasted this publicly for they could communicate their position in this area privately to the farmers' representatives. (Such a course would have saved them from needlessly alienating the domestic fishermen.) Further, there was no apparent need for them to respond to the farmers' requests, for the Prime Minister himself had made plain his intention to use New Zealand's bargaining leverage over fishing access to promote the farmers' interests.

The analysis now turns to a closer examination of Muldoon's policy priorities with respect to the establishment and operation of a 200-mile exclusive economic zone. It will be recalled from sub-section Ib. that Muldoon had: one, favoured the adoption of a trade-off strategy against Japan; two, had initially made the linkage between fishing access and agricultural trade in only broad terms, but later made the linkage in more specific terms; and, three, had been motivated in large part by political considerations where, as leader of the National Party, he felt bound to respond to the demands of the farmers. The following paragraphs will explain in greater detail the evolution of Muldoon's trade-off strategy, and list those other factors which may have motivated him to pursue such a course.

When Muldoon came to power in late 1975 it was clear that he would involve himself deeply in the management of his country's economic affairs. Not only was he Prime Minister, but he had

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1. Quoted in 'Fish Stocks - A Resource or a Bargaining Point?' *Catch* '76, August, 1976, p.3. It will be noted later, however, that not all members of the Japan/New Zealand Businessmen's Association (JNZBA) were in favour of such trade-offs.

allocated to himself the Finance portfolio. He had, moreover, built up a reputation - and, in fact, owed his election success in no small part - as an efficient, tough, and successful economic manager. Central to the new Prime Minister's economic strategy was the promotion of New Zealand's agricultural exports. In line with this strategy, Muldoon early declared his intention<sup>1</sup> to press for the lifting of tariff and non-tariff barriers which many of the industrialised countries applied to agricultural products.

Given the importance of the Japanese market, Muldoon made a point of visiting Tokyo - in April 1976 - during the first of his trips overseas as Prime Minister. In his discussions with the Japanese Prime Minister (Miki), the Minister of Trade and Industry (Kumoto), and the Foreign Minister (Miyazawa), Muldoon tried to obtain guarantees of long-term, regular, access to the Japanese market for set amounts of New Zealand farm produce.

It has been noted that Muldoon had then indicated to the Japanese that the fishing access and agricultural access issues were interrelated. Again it will be recalled that Muldoon made no threats of specific linkages at this time. The Prime Minister had spoken in rather general terms noting that just as New Zealand should consider Japan's natural interest in access to New Zealand's fish resources, then the Japanese should also recognise New Zealand's concern about fair access for its exports to Japan. New Zealand's position was that it was too early to make any firm commitments to the Japanese (or to other DWFS) on the subject of fisheries access. Wellington had not yet fixed a date for the establishment of a 200-mile zone, and had, in fact, announced that it was prepared to give UNCLOS further time before New Zealand unilaterally declared an extension of its fishing limits.<sup>2</sup>

What the Prime Minister had tried to stress was the importance of a *total economic relationship* with Japan, where there was to be a balance of interests between the two countries. He explained on his return to Wellington

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1. See 'New Prime Minister of New Zealand Spells Out Policies' *Asia Pacific Forum*, No.12, February, 1976.

2. See the statement by Muldoon on this subject made on the eve of his departure for Japan, *ibid.*, p.6.

'I told my Japanese hosts that our trade relations had to be viewed in the round. The same principles of stability and permanence should be applied to every part of the exchange between us. No one part could be excluded without damage to the relationship as a whole.'<sup>1</sup>.

Muldoon appeared generally satisfied with his discussions in Tokyo. As he put it 'My message was attentively received. I was assured by Japanese Ministers that as Japan's economic recovery proceeds her purchases of meat and dairy products will also pick up.'<sup>2</sup>.

Despite these assurances, the Japanese made no moves to improve the trading situation with New Zealand. In early 1977, the Ministry of Agriculture and Forestry in Japan announced that the next six-monthly beef allocation would be 35,000 tonnes - 10,000 tonnes *less* than for the same period in 1976. At the same time, Japanese officials gave no indication of increasing their imports of New Zealand butter and skimmilk powder.

Muldoon became increasingly impatient with the Japanese. In February, 1977, the Prime Minister - in an address to a group of Japanese businessmen visiting Wellington - stated that he had less than complete sympathy for the Japanese Government's argument that, given the delicate political situation in Japan, it could not be expected to make major changes in its agricultural import policies. Muldoon added that there was a 'need for politicians to solve political problems.'<sup>3</sup>.

It was in Muldoon's speech to the Pacific Basin Economic Council (PBEC) luncheon of 10 May, 1977, where a clear and direct linkage was made between the fisheries access and agricultural trade issues. The Prime Minister observed

'Within the next two months or so, a Bill will be introduced into the New Zealand Parliament establishing a 200-mile exclusive economic zone around our shores. We are already in negotiation with some countries who wish to fish inside that zone with the cooperation of the New Zealand Government. The Japanese fishing effort off the shores of New Zealand, and inside that zone at the

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1. A. Haas 'Muldoon Assesses His Official Visit to Japan' *Asia Pacific Forum*, Vol.2, No.3, 1976, p.15.

2. Press statement by the Prime Minister, R.D. Muldoon, 6 May, 1976, on returning from his overseas tour.

3. Muldoon's address to Japanese businessmen at James Cook Hotel, Wellington, 7 February, 1977.

present time, is quite heavy. The New Zealand Government has come to the conclusion that, in the light of our failure to get an adequate response on the question of farm products, no agreements will be signed with any Japanese fishing organisation until we can get an assurance of regular access for our farm products on to the Japanese market.<sup>1</sup>

In passing, it may be noted how Muldoon had introduced the subject of *other* foreign countries wanting to fish off New Zealand. He had obviously decided that the Soviet Union and South Korea - whose trading records with New Zealand were, in some areas, no better than Japan's - could be used as pawns in his game to force the Japanese to agree to his terms.<sup>2</sup> By offering access to other DWFS, the Prime Minister hoped to demonstrate to Tokyo that New Zealand could, if necessary, dispense with Japanese fishing skills, technology and markets for fish exports.

From mid-1977 onwards, Muldoon lost no opportunity in trying to convince the Japanese that his threats of linkage should be taken seriously. For example, in his meetings with Prime Minister Fukuda in Kuala Lumpur in August that year, he made reference to the linkage of fisheries access and agricultural trade issues (which by now had been clearly identified in specific areas).<sup>3</sup>

It should be emphasised that Muldoon had a very strong personality which did not easily tolerate opposition to his policies - whether on the international or domestic stage. It was likely, therefore, that Muldoon would be able to persuade his Cabinet colleagues and his bureaucratic advisers to support the linkage strategy against Japan. With respect to the latter, several New Zealanders and Japanese intimately involved in the fisheries negotiations of 1977-78 indicated to the author that some of the strongest support for the 'Muldoon diplomacy' came from senior officials in the Prime Minister's Department.

Finally, this sub-section examines the attitude of the Minister of Overseas Trade (B.E. Talboys) and of officials in the Department of Trade and Industry to Muldoon's policy initiative towards Japan.

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1. Address to PBEC luncheon by R.D. Muldoon, Christchurch, 10 May, 1977.

2. This bargaining strategy will be examined in greater detail in Section III.

3. The specific agricultural concessions sought from Japan at this time will be spelt out in sub-section IIe.



At the outset, it should be mentioned that Talboys has always been a 'loyal lieutenant' to the Prime Minister.<sup>1</sup> While it will be noted later that Talboys, in his capacity as Minister of Foreign Affairs, had some reservations about the *style* of Muldoon's policy stance against Japan, he was generally very supportive of the broad strategy. This was demonstrated in many of the speeches he made on this subject, one example of which follows. In an address to the Business Group of the Japan Society of Auckland in early 1977, he observed

'The Prime Minister has spoken about the concept of the total economic relationship. For its part the New Zealand Government is very conscious of Japan's predicament - its needs for natural resources and food supplies, particularly fish...We remain ready to respond in a forward looking way to approaches from the Japanese authorities, not least because of our recognition of the importance to us of our overall relations with Japan. However, it is of the utmost importance that the Japanese Government should equally show understanding of New Zealand's situation...If there are no signs of progress towards meeting our reasonable concerns and modest objectives particularly for butter, milk powder, beef and sawn timber, then it is hardly to be expected of us that we give straightforward and positive responses when we come to talking about areas of economic concern to the Japanese Government.'<sup>2</sup>

Several New Zealand and Japanese officials involved in the negotiations of 1977-78 suggested to the present writer that the New Zealand Prime Minister received very strong support for his linkage concept from 'the most senior levels' of the Department of Trade and Industry.

#### IIc. Other Issue Areas

The analysis now considers how those actors in the 'other issue areas' category listed in sub-section Ic. viewed the proposed linkage strategy against Japan.

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1. Talboys' loyalty to the Prime Minister was most recently demonstrated during the leadership crisis of October, 1980. See 'Discontent "Erupts Like a Geyser" in NZ'. *The Canberra Times*, 24 October, 1980.

2. B.E. Talboys' address to the Business Group of the Japan Society of Auckland, Auckland, 15 March, 1977.

It does not appear that either the aluminium exporters or the iron ore exporters made any public comments on the so-called 'fish-for-beef' diplomacy. There are at least two possible explanations for this. First, it would have been difficult for either group to have opposed policies strongly promoted by the New Zealand Government; for each depended in some way on the goodwill and cooperation of Wellington for the continued success of their enterprises. As noted above, New Zealand Aluminium Smelters Ltd. relied on the State-run Manapouri hydro-electric scheme for the supply of electric power, and the iron ore developers were constrained by Government export controls. Second, it is likely that both groups had assessed that there was little risk that Japan would - in response to the Muldoon linkage strategy - retaliate against their industries. In the global aluminium trade it was generally a sellers' market. Further, there was considerable Japanese investment in the project at Tiwai Point, Bluff. Neither were the Japanese likely to hit back at the iron ore exporters. The ironsands exported by New Zealand had special chemical properties which made them particularly attractive to the Japanese steel industry.

It is possible, however, that some New Zealand businessmen involved in the trade with Japan - including importers of Japanese products - had voiced their opposition to the 'Muldoon diplomacy'. As will be noted in sub-section IIIb., in early 1978 - during the most delicate period of the negotiations between Tokyo and Wellington on trade and fisheries matters - representatives from the Japan/New Zealand Businessmen's Association warned the Prime Minister of the dangers attached to his trade-off strategy. However, even if one assumes that these businessmen had communicated similar concern to Wellington<sup>1</sup> earlier when the Government was developing its negotiating position towards Japan, it was obvious that they would have little chance of influencing the final policy choice. First, the representation to the Prime Minister in early 1978 revealed that not all members of the JNZBA were agreed about the dangers of the 'Muldoon diplomacy' and, second, no private interest group in New Zealand had the political

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1. The present writer discovered no evidence suggesting that such concern *had* been voiced by members of the JNZBA before the negotiations with Japan began in late 1977.

influence of the rural lobby who strongly favoured linking fishing access with concessions in the agricultural trade area.

It was noted in sub-section Ic. that there is a set of bureaucratic actors deeply involved in the relationship with Japan not included in the primary and secondary issue areas - namely those employed in the Ministry of Foreign Affairs. The following paragraphs determine how these officials viewed the proposed trade-off strategy.

In the course of a number of interviews conducted with officers in New Zealand's Ministry of Foreign Affairs from mid-1976 until late 1978 it was revealed that there was a strong division of opinion within the Ministry concerning the wisdom of a trade-off strategy.

On the one hand there were those who opposed resources bargaining. While this group recognised that serious problems existed in the trade relationship with Japan and that strong action was demanded, they believed that such action should be conducted within the more 'normal' bounds of diplomacy. They put forward several arguments for keeping separate fisheries and trade matters in negotiations with Japan. One, they claimed it was doubtful whether a coastal state like New Zealand could - under the guidelines of the ICNT - discriminate against a foreign fishing country such as Japan which had been operating off New Zealand for some years and which had cooperated in the provision of fisheries research data. Two, they believed that a linkage strategy against Japan could lead to an allout trade war and the breakdown of friendly bilateral relations. Three, it was claimed that a linkage strategy was not only unwise but was also unnecessary. Arguing much along the same lines as Philip Ashenden (see sub-section Ic.), these officials believed the Government-to-Government discussions on trade matters could be supplemented by a vigorous 'propaganda' campaign by the Embassy in Tokyo, where appeals would be made to Japanese consumer groups and others in Japan to pressure their Government into making the necessary concessions on agricultural commodity access.

On the other hand, there were some in the Ministry of Foreign Affairs who strongly supported the linkage strategy advocated by the Prime Minister. They argued, for example, that the ICNT had - under Article 62, paragraph 3<sup>1</sup>. - made provision for the adoption of such a strategy towards foreign fishing countries. They further agreed with

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1. Where, it will be recalled, the wording was 'In giving access to other States to its exclusive economic zone under this article, the coastal state shall take into account all relevant factors, including ...its other national interests'.

the Prime Minister that New Zealand's economic situation was sufficiently serious to justify strong measures. Fifteen years of patient and polite diplomacy with Japan had failed to achieve anything of substance in the matter of freer agricultural market access.

There was, however, one area where both groups within the Ministry of Foreign Affairs were agreed. This was with respect to the *style* of New Zealand's diplomatic approach to Japan. Neither group favoured what they considered to be the needlessly abrasive and rude manner of the Prime Minister. (Just how abrasive and rude Muldoon was in his approach will be revealed in Section III.) The Minister of Foreign Affairs, Talboys, had demonstrated that it was possible to be both tough and polite when dealing with the Japanese.

The last group of actors considered here is the Labour Party. Very briefly we will examine what the Opposition spokesmen had to say with respect to fisheries management in the era of 200-mile exclusive economic zones and with respect to the 'Muldoon diplomacy'.

During the important period 1976 to 1977 - when New Zealand's 200-mile zone policies were being discussed, and when Muldoon's strategy towards Japanese fishing access was evolving - the Labour Party appeared confused, with no well defined policy positions of its own. It is true that Labour gave positive support to some broad policy areas, such as: the establishment of a 200-mile exclusive economic zone; controls on foreign fishing activities; and greater investment in the local fishing industry. But the Opposition failed to produce any new policy initiatives in specific problem areas, such as: market access for New Zealand's fish exports, or Third Country Trading.<sup>1</sup>

Nowhere was the lack of direction in Labour's policies more apparent than its attitude to the 'Muldoon diplomacy'. Early in the National administration, the Opposition urged Government to adopt a tough negotiating stance vis-à-vis Japan on the agricultural trade question. When Muldoon first started to link the fisheries access issue with that of trade concessions from Japan, the Labour Party voiced no opposition. It was only later, from late 1977 on - when the Muldoon strategy appeared to be failing - that Labour went on to the attack. As will be noted in sub-section IIIb., Labour spokesmen condemned the Prime Minister: first, for exaggerating the degree to

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1. For example, Bill Rowling (Leader of the Opposition), in his address to the Annual Conference of the Federation of Commercial Fishermen in mid-1976, barely touched upon these issues.

which New Zealand could expect to use its leverage over fisheries access to win trade concessions from the Japanese; and, second, for adopting brash, 'bullying', tactics against Japan which (it was felt) would only lead to a further deterioration in New Zealand-Japanese relations.

Labour's counter-proposal of seeking 'fish-for-fish'<sup>1</sup> deals with the Japanese took a long time to emerge. Colin Moyle (Labour's former Minister of Agriculture and Fisheries) had suggested such a policy in November 1977,<sup>2</sup> but it was not until July 1978 that the Labour Party fully embraced this strategy.

It is not surprising that many in the fishing industry viewed Labour's policies on fisheries access with cynicism. Even when Labour politicians did, at last, advocate 'fish-for-fish' deals with Japan, it appeared that their motive was more to embarrass Muldoon politically than from a sincere desire to support fishing industry interests.

A brief summary is now given of the attitudes of the different actors described above towards linkage diplomacy involving New Zealand's proposed exclusive economic zone and its fish resources. It will be noted that most - but certainly not all - the actors had policy preferences somewhat similar to those predicted in the analytical framework. In the primary issue area the fishermen were generally strongly opposed to trade-offs across different issue areas. (However, it was also noted that: some prominent fisheries personalities gave at least qualified support for the trade-off strategy; the Minister of Fisheries - who also had certain responsibilities in the secondary issue area - supported the Prime Minister's diplomatic initiative against Japan; and the Fisheries Divisions in the Ministry of Agriculture and Fisheries did not publicly oppose the linkage diplomacy.) In the secondary issue area, all actors were very much in favour of the linkage concept. In the 'other issue areas' category, the Ministry of Foreign Affairs - probably the most influential set of actors in this category - was divided on this subject, with some officers supporting the 'Muldoon diplomacy' and others against it. There is no question that the political influence of those favouring the trade-off strategy far outweighed that of those opposed.

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1. Labour's 'fish-for-fish' strategy will be explained later.

2. See 'Moyle Supports Japan Venture' *The Dominion*, 10 November, 1977, and sub-section IIIb.

### IId. Decision-Making Network

This sub-section examines very briefly the decision-making machinery established in New Zealand to formulate policies both with respect to the introduction and implementation of a 200-mile exclusive economic zone, and with respect to the broader question of linkage diplomacy involving New Zealand's leverage over foreign fishing access. The following analysis is, therefore, divided into two parts: the first will examine those bodies with major responsibility for formulating policies related most specifically to fisheries management issues; while the second examines those bodies primarily concerned with the broader economic dimensions of New Zealand's fisheries access policies.

New Zealand, in common with many other coastal fishing states, seemed ill-prepared to meet the era of 200-mile exclusive economic zones. In the mid-1970s, when New Zealand was contemplating introducing a 200-mile zone, there was no comprehensive fisheries planning in that country. No single person or group had been appointed for this purpose, or was capable of getting an overview of the entire industry and its future. There were at least 20 Government agencies or other bodies which had responsibilities for, or could exercise great influence over, fishing industry development. Among these groups there was generally a low level of coordination and cooperation. Various aspects of fisheries management were placed in the hands of different committees - for example, the Fisheries Review Committee, the Shipbuilding Committee and the Fishing Industry Finance Committee - which, for the most part, had been established by the Minister of Agriculture and Fisheries to report on these matters to Cabinet. Not surprisingly, representatives from the Fisheries Management and Fisheries Research Divisions generally played key roles in the work of these committees. The commercial fishing industry's interests were most commonly represented on the committees (if at all) by officials from the FIB<sup>1</sup>. The most important channel of communication between government and the local fishermen was through the Fishing Industry Board Liaison Committee.

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1. The fishermen frequently complained that they were rarely consulted on important matters of policy involving their industry. Some fishermen argued further that the FIB was not properly representative of their industry and that the Presidents of the Federation of Commercial Fishermen and the Seafood Processors' Association should be consulted more by Government.

In commenting on the lack of preparedness for the new era, the FIB in 1976 observed

'no single fisheries development plan or policy exists nor can it exist until bodies exercising great influence on fisheries development collectively prepare such a plan'.<sup>1</sup>

It was about this time, however, that the policy-making machinery for the establishment and management of a 200-nautical mile EEZ off New Zealand began to be set up. The Ministries of Agriculture and Fisheries and of Foreign Affairs were given the largest roles, with important inputs also expected from the Prime Minister's Department, the Department of Trade and Industry, the Defence Department, and Treasury.

The Legal Affairs' Division of the Ministry of Foreign Affairs had the major task of drafting the Territorial Sea and Exclusive Economic Zone Bill. This they did after consultation with other Government departments. The fishing industry was able to participate in some small measure by passing recommendations on this Bill when the Government invited submissions to a Parliamentary Select Committee in July, 1977.<sup>2</sup>

The task of devising a system of controls for managing the 200-mile EEZ fell largely on the Ministry of Agriculture and Fisheries. Late in 1977, a three-man task force - the Exclusive Economic Zone Planning Group, EEZPG, all of whom were members of either the Fisheries Management Division or the Fisheries Research Division - was formed. The EEZPG<sup>3</sup> held discussions with representatives from Foreign Affairs, Agriculture and Fisheries, Defence, Trade and Industry, and Treasury, and drew up a draft of regulations which it handed over to the Ministry of Foreign Affairs who had final responsibility for administering legislation related to the EEZ. (It will be recalled that the fishing industry had been able to voice its opinions on conditions to be attached to licences for foreign fishing vessels permitted access to the zone at a meeting of the FIB Liaison Committee in September, 1977.)

The formulation of policies related to joint fishing ventures involved a number of bodies. The Cabinet Economic Committee and its Officials Advisory Group reviewed the broad criteria governing the

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1. *Report of FIB, 1976*, p.6.

2. Submissions received included those from the FIB, the Federation of Commercial Fishermen and the Seafood Processors' Association.

3. It may be noted that once the EEZ became fully operational in April, 1978, the EEZPG was disbanded.

acceptance of joint venture proposals. Early in 1978, an Officials Committee was set up under the Chairmanship of B.T. Cunningham (Director of the Fisheries Management Division) to examine proposals for foreign involvement in the domestic fishing industry, and to recommend to the Minister of Fisheries those which promised the maximum benefit to New Zealand. Some five or six Government departments were represented on this Committee.

Prime responsibility for drawing up policies related to policing the EEZ was jointly shared by the Ministry of Agriculture and Fisheries and the Defence Department. These two Departments worked closely together to define those sectors of New Zealand's offshore area in which foreign fishing activity could be expected at various times of the year.

It will be noted that the task of drawing up policies with respect to the policing of the EEZ, the control of joint fishing ventures, the licensing of foreign fishing vessels, and those other aspects of fisheries management listed above, was left largely to the technical experts within the bureaucracy. By contrast, the formulation of policies involving the broader application of New Zealand's leverage over foreign fishing access - that is in areas outside fisheries - were made at the highest levels of Government.

It is no exaggeration to say that the linkage strategy whereby fishing access was to be exchanged for concessions from Japan in the agricultural trade area was largely the personal initiative of the New Zealand Prime Minister, R.D. Muldoon. From early 1976 (when the first public declaration of some kind of trade-off strategy involving the proposed 200-mile zone was made) to mid-1978 (when the Fisheries Agreement with Japan was signed) Muldoon was intimately involved in the decision-making process.

While the Prime Minister had a dominant role in this process, other senior Government officials also played a part in formulating the broad negotiating strategy towards Japan. Through their participation in the Cabinet Economic Committee, Muldoon's Ministerial colleagues had the chance to put forward their views on the proposed linkage diplomacy. Senior bureaucrats were also brought into the policy process, for they were given the task of drawing up policy recommendations which were submitted to the Cabinet Economic Committee. (The separate Government Ministries and Departments also gave advice in this area to their respective Ministers.) Those Departments most



involved in putting 'flesh' on the Prime Minister's policy initiative were those of Trade and Industry and Foreign Affairs, with the Prime Minister's Department, Agriculture and Fisheries, and Treasury also making important contributions. The fishing industry played only a very minor role in these deliberations; with Jarman (the General Manager of the FIB) being permitted to attend some of the politically less sensitive meetings of the Cabinet Economic Committee.

## Ile. Policy Choice

Section II of the case study concludes with an examination of the various policy choices made by Wellington with respect to the establishment and use of a 200-mile exclusive economic zone. A number of questions will be addressed, including: did the New Zealand Government eventually decide to establish a 200-mile zone; if so, for what policy objectives did the Government seek to exercise its bargaining leverage over the DWFS - to promote the interests of the domestic fishing industry and/or to promote other economic interests; and, most specifically, did Wellington decide to use its leverage over foreign fishing access as a lever to gain trade-offs in the secondary issue area described above? Sub-section Ile. is divided into two parts: the first examines those policy choices made concerning fisheries management; and the second identifies those policy decisions which might have been made with respect to trade-offs across different issue areas.

It will be recalled that New Zealand (together with Australia) was one of the earliest advocates within the UNCLOS for the establishment of 200-mile exclusive economic zones. New Zealand was not, however, one of the first States to establish such a zone. Shortly after taking office as Minister of Foreign Affairs, Talboys noted

'While large and middle-ranking powers may achieve a measure of success in protecting unilateral extensions of their fishing limits, a country of New Zealand's size and with New Zealand's resources is not well placed to do so. We need the protection of a widely accepted treaty on the law of the sea.'<sup>1</sup>

A little over a year later, however, New Zealand decided to push

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1. Press statement, 11 March, 1976, reported in *New Zealand Foreign Affairs Review*, Vol.26, No.3, March, 1976, p.40.

ahead with the unilateral declaration of an exclusive economic zone. It had become apparent that, even if a major breakthrough were to be achieved at the sixth session of UNCLOS III which resumed in New York on 23 May, 1977, it would take at least one more session to conclude a Law of the Sea Treaty. It was felt that New Zealand need not - indeed should not - delay any longer. First, foreign fishing fleets continued to put pressure on fish resources also exploited by New Zealand fishermen. Extension of New Zealand fishing limits had become a matter of urgency to ensure proper conservation and management of fish stocks. Second, until late 1976 there had been a fear by some Foreign Affairs officials that an assertion of 200-mile jurisdiction would not be internationally accepted - particularly by the major distant water fishing states (Japan and the Soviet Union). Since then many countries - including Japan and the Soviet Union - had made 200-mile zone claims. It was, therefore, felt that the establishment of such a zone was well-founded in international law and in the practice of States.

The decision having been made to establish a 200-mile zone off New Zealand, the Minister of Foreign Affairs on 26 May, 1977, introduced into the House of Representatives the Territorial Sea and Exclusive Economic Zone Bill. This Bill was finally passed into law four months later - on 26 September. On that day was also promulgated the Exclusive Economic Zone (Interim Measures for Foreign Fishing Craft) Regulations 1977. These two pieces of legislation, which together provided for the establishment of a 200-mile EEZ and for the regulation of foreign fishing craft within the zone, will now be examined in detail.

The Territorial Sea and Exclusive Economic Zone Act 1977 (hereafter referred to as the Act) closely resembles certain parts of the ICNT.

Section 3 of the Act provides for the establishment of a territorial sea 12 nautical miles in width, and Section 9 establishes the exclusive economic zone which extends 188 nautical miles beyond the territorial sea. <sup>1</sup>.

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1. Except in cases where less than 400 nautical miles separates New Zealand from another country, where the median line principle determines the outer limits of the zone.

Sections 11 to 13 concern allocation of catches. The Minister of Fisheries is given the power to determine: the total allowable catch; the portion that New Zealand fishing craft have the capacity to harvest; the portion of the catch available for foreign fishing craft; and the quotas available to fishing craft of different nationalities. In apportioning the catch among the DWFS the Minister may take into account:<sup>1</sup> the interests of foreign fishing craft that have habitually fished in the zone; whether a foreign country has cooperated with New Zealand in fisheries research and identification of stocks; whether a foreign country has cooperated with New Zealand in managing the resources of the zone; the terms of any relevant international agreements; and other matters that the Minister, after consultation with the Minister of Foreign Affairs, determines to be relevant.

Sections 14 to 20 of the Act refer to the licensing of foreign craft. A foreign fishing craft may not fish in the EEZ unless it has a licence to do so. In granting a licence the Minister of Fisheries may attach to it certain conditions. These conditions - many of which are similar to those outlined in the ICNT, Article 62, paragraph 4 - include: the areas within the EEZ in which fishing is authorised; the seasons, times, and particular voyages during which fishing is authorised; the species, size, age, and quantities of fish that may be taken; the methods by which fish may be taken; the types, size, and amount of fishing gear that may be used or carried by a foreign fishing craft; the use, transfer, transshipment, landing, and processing of fish taken; entry by the foreign fishing craft to New Zealand ports; statistical and other information required to be given by the foreign fishing craft to the MAF; fisheries research; training of New Zealand personnel in methods of fishing employed by the foreign fishing craft; and so on.

The Act goes on to note (see Section 18) that to obtain a licence, foreign fishermen must pay a fee. The fee varies according

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1. It may be noted that the drafting of the Minister's powers in this area in permissive terms ('the Minister *may* take into account') varies from that detailed in the ICNT. Under New Zealand's Territorial Sea and Exclusive Economic Zone Act the Minister's discretion appears unrestricted - that is, he is permitted to refuse to take the factors listed above into account. It will be recalled that the ICNT implies that the coastal state has an *obligation* to give foreign States access to its surplus fish by using the word 'shall' in this context. (See ICNT Article 62, paragraphs 2 and 3.)

to the type of fishing craft and may reflect the costs incurred in managing the resources of the EEZ.

The Act provides for stiff penalties against foreign fishing craft operating in the EEZ without a licence (fines of up to \$100,000), or operating in contravention of any condition attached to their licences (fines of up to \$25,000). The Minister of Fisheries is also empowered to cancel or suspend licences when he is satisfied that a foreign fishing craft has violated a condition of its licence.

Section 29 deals with interim and transitional measures which may, from time to time, be introduced by Order in Council for the conservation and management of fisheries resources beyond the territorial sea but within the EEZ.

The Exclusive Economic Zone (Interim Measures for Foreign Fishing Craft) Regulations - hereafter referred to as Interim Measures - were the first of the measures specified in Section 29 of the Act. These regulations set minimum mesh sizes for trawl nets used by foreign fishing craft in the EEZ and prohibited foreign trawling in certain areas of the zone. Foreign trawling was prohibited indefinitely in five areas and was prohibited in two further areas from 1 October, 1977, to 31 December, 1977.<sup>1</sup>

The Interim Measures were to come into force on 1 October, 1977, as were those provisions in the Act referring to the Territorial Sea. However, those provisions covering the establishment and operation of the EEZ were not to come into force until 1 April, 1978.

The local fishermen could take satisfaction from the fact that under the Act and the Interim Measures they would be given substantial protection from foreign fishing competition. Shortly after the Territorial Sea and Exclusive Economic Zone Bill was introduced into Parliament, Bolger explained to the New Zealand fishermen how the total allowable catch would be classified into three groupings:<sup>2</sup>

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1. Later - on 25 November, 1977 - a further, sixth, area was declared off limits to foreign trawlers.

2. As Bolger explained in his address to the Annual Conference of the New Zealand Federation of Commercial Fishermen, Christchurch, 1 June, 1977 'The species making up this allowable catch figure have tentatively been classified into three groupings to indicate recommended future fishing effort. Class "A" species are those reserved for local exploitation only. Snapper and tarakihi are two species that, logically, fall within this category. These so-called "prime fish" will, as I have said, be wholly reserved for the New Zealand fishing industry so that our local fleet will catch the lot. Put another way it means that foreign vessels will not be allowed to take any of these species.'

Class 'A' species - involving prime fish - which would be reserved for local fishermen; Class 'B' species which could be shared with other nations; and Class 'C' species which would be largely licensed out to foreign nations. The Interim Measures announced on 26 September revealed that the Government was committed to conserving the prime coastal demersal stocks and to eliminating the worst excesses of foreign fishing competition. On the day that these new regulations were announced, Talboys noted

'The principal effect of these regulations is to prohibit all trawling by foreign fishing vessels in five main areas where the prime species of major concern to the New Zealand industry, particularly snapper and tarakihi, are concentrated. The New Zealand industry already takes the entire allowable catch of these species and accordingly the continuation of foreign fishing efforts in those areas would result in over exploitation!'.<sup>1</sup>

But neither the Act nor the Interim Measures addressed in detail (for they were not designed to do so) many of the other areas in which the local fishermen sought concessions related to fisheries from the DWFS. For example, with respect to the training of New Zealand personnel by DWFS, the provision of fisheries research data, and the local processing of fish caught by foreign fishermen, the Act spoke only in general terms noting that the Minister of Fisheries *may* attach such conditions when granting licences to foreign fishing craft. However, it should be emphasised that the granting of licences would only take place after New Zealand had negotiated fishing agreements with the DWFS. It appeared, therefore, that the local fishermen would have to wait until after these fishing agreements with other countries had been signed before they could determine whether Wellington intended to push strongly for the concessions listed above.

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Class "B" species are those which could ... be shared with other nations without having detrimental effects on our fishing industry ... Category "C" species are those which are unlikely to be taken by New Zealand fishermen, certainly in the short term and probably in the medium-to-long term too, and which could be largely licensed out to foreign nations without affecting development opportunities for New Zealand. Squid is the obvious example!

1. Press statement from the Office of the Deputy Prime Minister, B.E. Talboys, 26 September, 1977.

Neither were these two pieces of legislation designed to address the important subject of overseas marketing of fish caught within the EEZ. But it appears that the New Zealand Government failed elsewhere to place sufficient emphasis to this vital element of fisheries development policies. Wellington had, for example, claimed that it could do little to control the sale of fish caught by licensed foreign fishing vessels operating in the EEZ - the so-called Third Country Trading problem. (See sub-section Ia.) The Minister of Fisheries pointed out that no other country in the world, when licensing foreign vessels to fish in its zone, had imposed restrictions on the use of the fish product. Bolger also noted that

'To forbid third country trading would be a difficult requirement to police because once fish goes into the international marketing chain it would be difficult to determine which market was supplied with which fish from what source. Furthermore, if we could enforce the provision that fish caught by foreign nations should be consumed in that country it must be assumed that countries with fish surplus to their own requirements would then place some of the fish caught within their own waters on the world market. Clearly this could not be stopped.'<sup>1</sup>.

Neither had the Government demonstrated that it was prepared to take the strong action demanded by the domestic fishermen to break down barriers to the trade in fish existing in overseas markets - namely, if a foreign nation refused to remove these trade restrictions then its vessels should not be permitted access to New Zealand's EEZ. The Government had merely indicated that

'When we get down to the face-to-face negotiations I am sure *one of the questions* raised will be access to these other nations' markets for our own fish products'<sup>2</sup>.

As will be detailed later, Wellington had decided to include the

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1. J.B. Bolger's address to the 39th Annual General Meeting of the New Zealand Seafood Processors' Association, Christchurch, 30 June, 1978.
  2. J.B. Bolger's address to the New Zealand Seafood Processors' Association, Gisborne, 1 July, 1977. Present author's emphasis.

subject of fish market access within the broader context of the total bilateral trade relationship in its forthcoming negotiations with Japan. From the local fisherman's point of view there were several dangers involved in discussing the fish market access issue together with that concerning agricultural commodities' access. On the one hand, there was the risk that these two issues might be considered as part of a total package deal. If the DWFS decided to reject this package because of objections to the agricultural trade proposals contained therein, then there would be no agreement on the fish market access issue. Conversely, there was a risk that the New Zealand Government would be so anxious to win concessions for its agricultural exports that it would be 'soft' in its demands for concessions for New Zealand's fish exports.

By late 1977, Wellington had also announced its policies with respect to joint fishing ventures involving foreign enterprises. After prolonged and careful consideration of the advantages and disadvantages of joint ventures, the Government announced that it favoured such projects so long as they were very carefully controlled.<sup>1</sup> The Government drew up a set of guidelines to assist New Zealand fishing (and other) companies thinking of entering into cooperative ventures with overseas interests. These guidelines were announced in October 1977 - subsequently appearing in a paper produced by the Ministry of Agriculture and Fisheries<sup>2</sup> - and listed the major criteria by which submitted proposals would be ranked. These criteria expected the venture as far as possible to: utilise stocks not commonly being fished by existing New Zealand interests (or likely to be in the near future); develop a fishery which is capable of significant expansion but requires resources or technology beyond the present capacity of New Zealand to provide; incorporate a reasonable degree of New Zealand participation including equity management, labour, materials, and finance; be export oriented; provide for the maximum economic degree of processing in New Zealand; provide assured export marketing

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1. For a detailed explanation of why the Government had decided in favour of joint fishing ventures see Bolger's address to the 39th Annual General Meeting of the New Zealand Seafood Processors' Association, Christchurch, 30 June, 1978.

2. See *Proposals for Fishing Industry Co-operation Between New Zealand and Overseas Interests: General Information for Applicants*, Ministry of Agriculture and Fisheries, Wellington, 17 April, 1978.

arrangements and remunerative prices to New Zealand; otherwise contribute significantly to the economic expansion and/or development of the New Zealand fishing industry; fully comply with relevant New Zealand legal provisions including those relating to the management of the 200 mile EEZ; and so on. It was decided to set up a Committee of Officials which would consider joint venture proposals when foreign participation was in excess of 24.9 per cent to ensure that all joint ventures agreed to provide tangible benefits for New Zealand and the local fishing industry.

It was evident that the New Zealand Government hoped that the establishment of a 200-mile EEZ would help promote the further expansion of the domestic fishing industry. From 1976 on, the Government introduced a series of policy initiatives to facilitate the industry's growth. In late 1976, for example, Wellington relaxed its restrictions against duty-free imports of new and near-new foreign built fishing vessels. The Government also moved to provide greater financial assistance to the industry through such measures as: suspensory loans for approved costs of construction and equipment of vessels at least 15 metres (formerly 21 metres) in length; loan schemes to assist young, well qualified, fishermen to obtain their first fishing vessel; Rural Bank assistance for vessel re-engineering and other improvements; a fishing boat ownership savings scheme; training incentives; grants to the FIB; and (in the 1977 Budget) a sum of \$200,000 for the establishment of a Fisheries Development Grant Fund.

But it was also evident that the Government did not intend to use its bargaining leverage over foreign fishing access *only* to promote the interests of the New Zealand fishing industry. As noted in sub-sections Ib. and IIb., the Prime Minister had - by early/mid-1977 - plainly decided to use New Zealand's leverage in this area to gain concessions from Japan in the agricultural commodities' trade. It will be recalled that at the PBEC luncheon of 10 May, 1977, Muldoon had warned 'no agreements will be signed with any Japanese fishing organisation until we can get an assurance of regular access for our farm products on to the Japanese market'.

By mid-1977 the New Zealand Government had clearly defined those specific areas in which it expected the Japanese to give way. In July that year Wellington handed over to Tokyo a statement (in the form of an *aide memoire*) summarising what New Zealand was seeking by way of improved access for its key agricultural products. These demands in



effect amounted to part of the price<sup>1</sup>. that New Zealand expected Japan to pay for access to the EEZ.

The *aide memoire*<sup>2</sup>. referred to three areas - dairy products (butter and skimmilk powder), beef and sawn timber. With respect to butter and skimmilk powder (SMP), New Zealand requested the Japanese Government to take measures to encourage the consumption of these products, and expressed the hope that a reasonable part of any increased consumption would be met by increased imports. Wellington further requested that annual global import quotas be established for butter and SMP for general use.

New Zealand also asked for a minimum annual global quota of beef for general use of 100,000 tonnes, with a year's delivery schedule to be established when the quota is announced. Wellington further sought from Japan a larger allocation within the quota for chilled beef.

With respect to sawn timber, New Zealand requested the removal of the 10 per cent duty on sawn pinus radiata timber of less than 160mm thickness, and the classification of this timber as suitable for use in construction.

It will be noted that no mention was made in the *aide memoire* of concessions with respect to the trade in fish products. However, later in 1977 Wellington added to the list of demands from Japan removal of the 10 per cent duty on squid.

This sub-section concludes by summarising very briefly the proposed schedule (as it existed in late 1977) for the introduction of New Zealand's extended maritime jurisdiction, and for the negotiation of access rights with the DWFS. It was decided that the 12-mile territorial sea and the Interim Measures governing foreign fishing in certain offshore areas would be introduced on 1 October, 1977. The 200-mile EEZ itself would be fully established on 1 April, 1978. All overseas fishing nations which wanted to fish in the zone would first have to conclude fisheries access agreements with the New Zealand Government. Unlike other DWFS, however, the Japanese were expected to make certain concessions with respect to agricultural trade items before they could even begin to negotiate with New Zealand over

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1. In addition, of course, to the payment of licence fees and other concessions in the fisheries area.

2. The contents of the *aide memoire* appeared in the *Press Statement: New Zealand/Japan: Economic Relations*, New Zealand Embassy, Tokyo, 30 March, 1978.

fishing access.<sup>1.</sup> In other words, if Tokyo did not agree to make the necessary concessions before 1 April, 1978, it faced the prospect of Japanese fishermen being excluded from New Zealand's new offshore limits.

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1. It should be stressed that it was not envisaged that the linkage concept meant that the two issues - namely, fisheries access and agricultural commodities access - would be the subject of 'horse-trading' at the same negotiating session. The two issues would, instead, be treated *in tandem* - with the agricultural access issue negotiated first.

### III. POLICY IMPLEMENTATION

The final section of the New Zealand case study examines the implementation stage of the policy process following Wellington's decision to establish a 200-mile EEZ and to enter into fisheries negotiations with the DWFS. Special emphasis will be given to the fisheries access, and related, negotiations between New Zealand and Japan from late 1977 to mid/late 1978. Section III is divided into three sub-sections: Pre-Bargaining Exchange, Bargaining Exchange, and Bargain Outcome. It will be recalled from the analytical framework that the first two sub-sections present, chronologically, the background to the bargaining process against which those factors which might affect the final outcome are analysed. The third sub-section presents the bargain outcome itself, and determines what New Zealand actually obtained in the way of concessions from Japan in these negotiations. Two major questions will be addressed: first, to what extent were New Zealand's efforts at linkage diplomacy in this area successful; and, second, to what degree did the respective roles and attitudes of the various actors in the three different issue area categories listed in Section I affect the final outcome?

#### IIIa. Pre-Bargaining Exchange

Sub-section IIIa. examines the previous history of bilateral negotiations and of less formal contacts - particularly with respect to fisheries, but also in other areas - between New Zealand and Japan prior to 1 October, 1977.<sup>1</sup> This examination of former bargaining exchanges may reveal how each side assessed the various sensitivities and vulnerabilities, bargaining skills, commitment, credibility and will of the other. Such analysis may be relevant in explaining the course of the *present* round of negotiations; for it was argued in the analytical framework that the perceptions, tactics, and final success of some party involved in negotiations with another will be in part determined by its experiences in previous similar exchanges.

New Zealand and Japan have had, over the years, many opportunities to measure each other's strengths (and weaknesses) in bargaining situations, both in fisheries and in the wider economic arena.

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1. For analytical convenience it was necessary to find a date which separated the period of Pre-Bargaining Exchange from that of the Bargaining Exchange proper. The 1st October, 1977 - the day on which New Zealand's 12-mile territorial sea was established and when the Interim Measures came into force - was considered most suitable in this regard for it was then that the fisheries access, and related, discussions between New Zealand and Japan took on an air of urgency.

The history of Government-to-Government contact in the fisheries area went back more than a decade. Sub-section Ia. above noted how in 1965 New Zealand passed the Territorial Sea and Fishing Zone Act, establishing a 12-mile fishing zone. The Japanese had then strongly objected to this move and had threatened to take international legal action against Japan. However, Tokyo eventually backed down. It will further be remembered that in 1967 the two countries negotiated an agreement on fisheries, where it was agreed that all Japanese fishing activities in New Zealand's 12-mile zone would be phased out over a three year period. Inter-Governmental contacts over fisheries matters continued, particularly with respect to the disciplining of Japanese vessels caught trespassing in New Zealand's territorial waters. When, in the mid-1970s, it became evident that New Zealand would before long be declaring a 200-mile EEZ the subject of fisheries access rose to new levels of prominence in discussions between Ministers and officials from both sides.

Contacts between New Zealand and Japan over fisheries issues were also made at the semi-Governmental and private business levels. For example, from time to time, representatives from the FIB and Japan's commercial fishing organisations exchanged visits. The annual Japan/New Zealand Businessmen's Conference also provided a forum for debating fisheries problems. (In fact, it has been reported that the liveliest discussions at these conferences usually centred on the sub-committee responsible for fisheries.<sup>1</sup>)

Obviously, fisheries questions only represented a relatively small (if rapidly growing) percentage of the subject matter discussed on a regular basis between the two countries. Other economic issues - including, most importantly, agricultural trade issues - were usually at the top of the agenda in discussions between Wellington and Tokyo. It was these issues which gave each side the opportunity to assess the other's overall bargaining strengths and weaknesses.

The following paragraphs will attempt to determine how both the New Zealand and Japanese Governments assessed their respective

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1. See, for example 'A Step In A Right Direction: Third Japan-New Zealand Businessmen's Conference' *Asia Pacific Forum*, Vol.2, No.7, October, 1976, p.p.21-22.

bargaining strengths on the eve of the fisheries, and related, negotiations in late 1977. The problem exists, however, that there exist few public assessments in this area either by Wellington or Tokyo. The present analysis, therefore, represents a personal appraisal by the author following a number of interviews with officials (both in New Zealand and in Japan) who had been involved in previous rounds of negotiations between the two countries. First considered will be the way in which New Zealanders may have perceived their country's bargaining leverage over Japan.

There is little doubt that the New Zealand Government had come to realise just how tough and skillful the Japanese were at negotiating. As a great trading nation and as a major DWFS, Japan had developed its bargaining skills to a high level in the course of a large number of negotiating exchanges with such tough negotiators as the Russians, the Americans, and the Europeans. Fifteen years of patient diplomacy by New Zealand had failed to achieve much in the way of concessions in the agricultural trade area from Japan. In the area of fisheries, too, Japan's bargaining strengths had been revealed - as evidenced in the protracted negotiations which preceded the signing of the 1967 New Zealand-Japan Fisheries Agreement.

It is probably true to say, however, that as Wellington prepared to enter into fisheries access negotiations with Japan in late 1977, it believed it's bargaining leverage in the fisheries area was greater than ever before. It was recognised, of course, that Japan had certain factors in its favour. These included Japan's superior knowledge of fisheries in general and also, perhaps, of the stocks within New Zealand's offshore waters. The Japanese also had previous experience in negotiating access to other countries' exclusive economic zones, having earlier that year concluded agreements with the United States and the Soviet Union. (New Zealand had as yet no experience in negotiating access agreements to its 200-mile zone with other countries.) But it appears that Wellington had calculated that Japan's advantage in these areas was more than offset by Japan's increased dependence on New Zealand's fish resources.

In fact, it seems that some New Zealanders may have greatly exaggerated the size of the fish stocks in New Zealand's EEZ, and in consequence had overemphasised the attraction of these waters to the DWFS. An article which appeared in the May issue of *Catch '76*, and which was widely quoted, referred to a claim by a Ministry of

Agriculture and Fisheries spokesman that New Zealand possessed the fourth largest fishery in the world.<sup>1</sup> What this official had obviously meant was that New Zealand had the fourth largest fishery *in terms of area*, in the world. But some senior politicians appeared to interpret the statement as meaning that New Zealand had the fourth largest fishery *in terms of fish stocks*, in the world.<sup>2</sup>

It is possible that Muldoon (a politician who did not know the details of fishing) was unaware that New Zealand's fisheries potential was not as great as the *Catch* article seemed to claim. (It may be pointed out that in New Zealand - as in other coastal states - there were many extravagant claims about the level of fish resources existing in the EEZ. Bolger, in fact, found it frequently necessary to warn New Zealanders against expecting a fishing bonanza after establishment of the EEZ.)<sup>3</sup> An exaggerated sense of the importance of New Zealand's EEZ may have encouraged Muldoon and others in the belief that New Zealand had considerable bargaining leverage over Japan. What may have further strengthened this belief was the conviction, in some quarters, that the Japanese fishing industry was being almost totally excluded from northern hemisphere fishing grounds and had few options other than to make 'panic deals' with coastal states in the southern hemisphere.

The New Zealand Government had also probably calculated that its bargaining leverage in the agricultural trade area with Japan had increased in late 1977. A book recently published in Japan<sup>4</sup> highly critical of the beef trading system operating in that country received wide coverage in the Japanese media and was reported also in the New Zealand press. Some New Zealanders expressed optimism that, at long last, the Japanese consumers might be able to pressure the Government in Tokyo to relax some of its restrictions on the importation of foreign agricultural products. (Other New Zealanders such as

1. See 'Managing a 200-mile Zone - Some Possibilities' *Catch* '76, May, 1976.

2. Personal communication by J.S. Campbell.

3. See 'Minister Sounds Warning Against Fishing Industry Bonanza Belief' *Commercial Fishing*, August, 1977, p.7.

4. Tetsuji Yokota *Gyūniku Wa Naze Takai Ka (Why Is Beef Expensive?)*, Simul Press, Tokyo, 1977.

Ashenden,<sup>1</sup> however, suggested that consumer pressures would not be enough to force the Japanese Government to relax these trade barriers.)

It remains now to determine how the Japanese may have assessed *their* bargaining leverage over New Zealand in the areas of fisheries and agricultural trade.

Given the relatively long history of their operations in New Zealand waters, the Japanese fishermen must have formed quite a clear picture of that country's fisheries potential. Obviously New Zealand did not compare with some of the richest fishing grounds elsewhere in the world. However, for some Japanese operators - particularly the squid fishermen - New Zealand ranked highly even by world standards. Moreover, as noted in Part II above, given the pressures on them by the Soviet Union, the United States and other northern hemisphere States, the waters of the southern hemisphere assumed new importance to the Japanese fishermen from 1977. There is no doubt that by October 1977 some sections of Japan's fishing industry viewed very seriously New Zealand's threat to exclude them from its EEZ.

The question arises whether the Japanese believed that New Zealand had the political will to carry out this threat. In the past - back in the mid-1960s - New Zealand had demonstrated when it declared the 12-mile fishing zone and negotiated the Fisheries Agreement with Japan that it could, in its turn, be a determined negotiator. But that was more than ten years ago, and it was doubtful whether that previous experience had much relevance to the present situation.

It appears that in October 1977 some Japanese officials were convinced that the New Zealand Prime Minister was not really serious in threatening to shut Japanese fishing vessels out of New Zealand's EEZ if Japan did not make concessions in the agricultural commodities trade. These officials believed that Muldoon was playing a dangerous game of bluff. As one Japanese Embassy official in Wellington argued,<sup>1</sup> 'If New Zealand shuts out the Japanese fishermen there would be a risk of damaging the total New Zealand-Japanese trading relationship.' He further pointed out, that as Japan is far more

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1. See Philip Ashenden, *op.cit.*, p.8. Over the short term, at least, it appears that Ashenden's assessment of the situation was correct, for it appears that the Japanese consumers alone have not been very successful in changing their Government's agricultural import policies.  
 2. Toshio Kanai, First Secretary (Agriculture and Commercial), Embassy of Japan, Wellington, in personal communication to the author, September, 1977.

important to the New Zealand economy than the reverse situation, New Zealand would suffer much greater damage than Japan from a breakdown in bilateral relations. The same official noted how the 'Muldoon diplomacy' did not have universal support in New Zealand, observing that certain sections of the Ministry of Foreign Affairs and of the local fishing industry were not happy with the Prime Minister's stand. The New Zealand political journalist, Ian Templeton, believed that the Japanese Government had, in fact, underestimated the seriousness of Muldoon's threats. He suggests that the Japanese may have been too busy with other international economic matters to have carefully analysed Muldoon's negotiating position on the fisheries access and agricultural trade issues. As he put it

'Japan, perhaps preoccupied with far larger trading problems with the US and Europe, has been slow to realise that New Zealand's populist leader is deadly serious in his campaign.'

It appeared, therefore, that both New Zealand and Japan had - in late 1977 - somewhat false images of its own, and/or of the other's, bargaining position. On the one hand, the New Zealand Government seemed to have overestimated: one, the attraction of its EEZ to DWFS; and, two, the degree to which domestic political pressures in Japan would force the Japanese Government to make concessions with respect to agricultural commodities access. On the other hand, the Japanese Government seemed to have misjudged Muldoon's commitment to the linkage strategy involving fisheries access and agricultural trade issues.

#### IIIb. Bargaining Exchange

This sub-section examines the fisheries access, and related, negotiations held between New Zealand and Japan over the 11-months period, October 1977 to September 1978. It is divided into two parts. The first part traces, chronologically, the course of the negotiations. Emphasis will be given to the various concessions which Wellington sought to extract from Tokyo in exchange for fisheries access, and Tokyo's response to these demands. It will be noted that the terms of the final settlement(s) are not detailed here, but are listed in the next sub-section. The second part examines how the different actors in New Zealand, identified in Section I above, participated in the formal negotiating process, or otherwise affected the course of the negotiations. Particular attention will be drawn to the degree of support given by these actors to the New Zealand Government's



exercise of linkage diplomacy.

It can be argued that the period of serious negotiations between New Zealand and the DWFS over fisheries access dates from 26 September, 1977 - the day that the Territorial Sea and Exclusive Economic Zone Act was passed into law. At last a firm date had been fixed for the establishment of the 200-mile EEZ (1 April, 1978), and notice was given under Section 14 of the Act to the effect that 'no foreign fishing craft shall be used for fishing within the exclusive economic zone except in accordance with a licence issued by the Minister'. This meant that the DWFS had six months in which to conclude fisheries access agreements with Wellington if they wished to operate in New Zealand waters after 31 March, 1978.

As noted in the previous sub-section, Japan - unlike the other DWFS seeking access to New Zealand's offshore waters - was faced with the prospect of negotiating with New Zealand over agricultural trading problems before the latter would permit formal negotiations on fisheries access. The Japanese Government was faced with a difficult choice. On the one hand, Japanese fishermen were particularly keen to have access to the fisheries inside New Zealand's EEZ. On the other, it was very difficult for Tokyo to make the concessions demanded by Wellington. First, there were (as noted in Part II) powerful domestic political factors which made it difficult for the Japanese Government to liberalise the trade in agricultural commodities. Second, the linkage concept was anathema to the Japanese. Tokyo feared that acceptance of such a bargaining framework with New Zealand would set a precedent which might be repeated in future fisheries access negotiations with *other* coastal states.<sup>1</sup> As the following paragraphs demonstrate, at every opportunity the Japanese advised the New Zealand Government that there could be no linkage. Tokyo's position was that the two issues should be treated separately, with settlement of the fisheries access question having first priority. It will also be demonstrated that New Zealand was as equally determined that the agricultural trading problems should be settled first.

There were many contacts at Ministerial level between the two sides from October 1977 to April 1978. In an effort to resolve

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1. The *Mainichi*, for example, warned that Japan had yet to conclude a fisheries agreement with Australia. This Japanese newspaper questioned whether it would be possible to accord preferential tariffs for agricultural products from New Zealand without offering similar concessions to Australia. See the Editorial 'Fish-Livestock Deal' *Mainichi*, 4 March, 1978.

the long-standing trade differences, Talboys visited Japan in late October, 1977. After lengthy discussions with *Nōrinshō* Minister Suzuki, Prime Minister Fukuda, and Foreign Minister Hatoyama, Talboys failed to extract anything but minor concessions from Japan.<sup>1</sup> On his departure from Tokyo, the Deputy Prime Minister stated

'I leave Japan today with a feeling of disappointment ... I came to Japan with certain specific proposals. They have been rejected.'<sup>2</sup>

There was good reason for Talboys' disappointment at this time. Shortly before his visit, Yokota's book on the Japanese 'beef Mafia' had been released, giving rise to optimistic forecasts in some quarters that consumer pressures in Japan would force the Government in Tokyo to back down on the agricultural access issue. The general mood of optimism was further fuelled by the ample (and generally sympathetic) coverage of Talboys' visit in the Japanese media.

Muldoon reacted in predictable fashion to this latest Japanese rebuff. Just as Talboys was on the point of departing Tokyo, the New Zealand Prime Minister was addressing the Fourth Japan/New Zealand Businessmen's Conference in Nelson. Muldoon repeated his warning that if Japan failed to make meaningful concessions on the agricultural trade issue, then Japanese fishing vessels would not be permitted access to New Zealand's EEZ after 31 March 1978.<sup>3</sup>

The Prime Minister tried to put further pressure on the Japanese by offering fisheries access to other DWFS. Muldoon claimed that Japan's trading record with New Zealand compared most unfavourably with that of the Soviet Union (the latter had recently stepped up its purchases of New Zealand meat), and further noted that the Russians had made a 'very tempting' offer to fish New Zealand's zone on a joint venture basis. He added

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1. These concessions included Japanese offers to: increase the imports of skimmed milk powder (SMP) for feeding farm animals; to buy butter and SMP as part of a food aid programme for Third World countries; hold the beef quota for July - December 1977 at not less than 35,000 tonnes; to negotiate the entry of *pinus radiata* at the next round of GATT talks; and to eliminate the tariff on squid caught by joint venture companies with Japanese involvement.

2. From Talboys' press statement, 25 October 1977, just prior to his departure from Tokyo.

3. See the Prime Minister's address to the Fourth Japan/New Zealand Businessmen's Conference, Nelson, 25 October 1977.

'It makes good economic sense for us to say to the Soviet Union "Yes, we'll cooperate with you and we will exclude the Japanese who are not prepared to be reasonable in their trading relationship with us".'1.

On 31 October, the Prime Minister announced that invitations were to be issued to the USSR and to the Republic of Korea to enter into negotiations with New Zealand over access to New Zealand's EEZ.<sup>2</sup> No such invitation was extended to Japan.

It appears that Muldoon also tried to ally the United States to his cause against Japan. In November - during a three-week tour of that country - the Prime Minister warned Americans

'There has got to come a time when Japan becomes a good international citizen in trade terms. Japan has got to be dragged, kicking and screaming, into the international community.'<sup>3</sup>

The next major attempt at breaking the stalemate occurred in February, 1978, when Suzuki - who was now no longer *Nōrinshō* Minister but had been promoted Deputy Secretary General of the Liberal Democratic Party - was invited by the New Zealand Government to visit Wellington to continue discussions on New Zealand's requests for improved conditions of access for agricultural products to the Japanese market. These discussions proved no more successful than those held in October, 1977. Suzuki had nothing new to offer in specific concessions, his agenda being almost identical to that offered in Tokyo four months before. In fact, it appeared that Suzuki had come to New Zealand more to discuss the fisheries access issue than to discuss agricultural trade. When the New Zealand Government informed him that Japan's terms were still unacceptable, Suzuki complained

'We made the greatest effort to meet New Zealand's request for better access for New Zealand farm products. It was very regrettable

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1. *Ibid.*

2. As will be noted later, the negotiations with the USSR and the Republic of Korea commenced in December, 1977, and were eventually concluded to the general satisfaction of New Zealand.

3. Quoted in 'Drag Japan Screaming Into The World, Says Mr. Muldoon' *The Evening Post*, 23 November, 1977.

not to see appreciation of that effort by the New Zealand Government and to be unable even to begin talks on fisheries negotiations.<sup>1</sup>

Even as 1 April approached - the date on which New Zealand's EEZ was to be fully established - there were no signs of Japan backing down. On 10 March, the New Zealand Ambassador to Japan was advised by the Japanese Government that Japan 'could offer no more' in the way of concessions.<sup>2</sup> No doubt it was a bitter sense of frustration and failure that prompted Muldoon to remark in a speech delivered to a National Party luncheon

'There has been a considerable element of commercial imperialism in Japanese activities in the Pacific Basin since the Second World War and to some extent Japan has achieved, by peaceful means, what it failed to do during that war.'<sup>3</sup>

There was no way out of the impasse, and at midnight 31 March, 1978, all Japanese fishing vessels were ordered out of New Zealand's 200-mile EEZ. The Japanese fishermen complied; and for the first time in over two decades no Japanese fishing vessels - other than the joint venture craft - were operating in New Zealand's offshore waters.<sup>4</sup>

But it was obvious that neither party was happy with the stalemate. On the Japanese side, the squid (and other) fishermen appealed to their Government to reach an accommodation with Wellington before the start of the next southern squid fishing season in October. Meanwhile, the New Zealand Government announced that it was keeping 'for a while' a quota of the fish stocks which it had anticipated it would allocate to Japan, in reserve. This was intended to be seen as a token of New Zealand's sincerity and hope that Japan would make some concessions.

Muldoon - who, as will be noted later, was under considerable domestic political pressure at this time - appears to have adopted a more conciliatory approach to Japan in April/May, 1978. This was evidenced during a meeting he had with Suzuki at the end of May in

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1. Quoted in Bruce Wallace 'What Now Brown Cow? The Impasse in New Zealand - Japan Trade Relations' *New Zealand International Review*, May/June, 1978, p.p.12-13.

2. See 'Japan Firm on Trade' *The Evening Post*, 11 March, 1978.

3. Quoted in 'Mr. Muldoon Hits Out at Blind Self-Interest of the Japanese' *The Evening Post*, 11 March, 1978.

4. The Russians and South Koreans, however, remained - for they had concluded fisheries access agreements with New Zealand.

Melbourne at the funeral of former Australian Prime Minister Menzies. Following this meeting, Muldoon claimed that Japan had made concessions in three of the four outstanding trade problem areas.<sup>1</sup> These latest proposals, he argued, went a considerable way to meeting his wishes, and represented a 'major breakthrough'. The Leader of the Opposition, Rowling, and large sections of the New Zealand media, however, questioned whether the Japanese proposals (especially those related to beef and dairy products) were in fact new, and further claimed that the proposals were still a long way short of the Government's targets.<sup>2</sup> To Muldoon's embarrassment, Talboys was reported as saying he saw only signs of 'limited progress' in the trade negotiations with Japan.<sup>3</sup>

It appears that much of the criticism directed against Muldoon was justified, for - with the exception of the proposals related to squid - the Japanese had offered little new in the way of concessions. Despite this criticism, Muldoon continued to speak of a 'major breakthrough' and expressed the view that a settlement was near.

The way was now open for a more serious and formal round of negotiations. Following another flurry of diplomatic contact between the two countries, *Nōrinsuisanshō*<sup>4</sup> Minister Nakagawa came to New Zealand towards the end of June at Wellington's invitation. The importance that Japan attached to this round of negotiations was reflected in the size and composition of the party accompanying the Minister - namely, three members of the LDP; 12 officials from the Ministries of Foreign Affairs and of Agriculture, Forestry and Fisheries; and seven Japanese newsmen, representing major Japanese agencies, newspapers and broadcasting groups. The New Zealand delegation comprised the Prime Minister, D. MacIntyre (Minister of Agriculture), L.R. Adams-Schneider (Acting Minister of Overseas Trade),

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1. According to Muldoon, Suzuki had told him the Japanese Government was prepared to: hold the basic price of beef and improve the distribution system to expand the import quota; spend over \$6 million on butter oil and SMP from New Zealand to put into countries which did not take New Zealand dairy products at the present time; and to reduce the 10 per cent tariff on New Zealand-caught squid to five per cent. Prime Minister's Press Conference, 22 May, 1978.

2. See press statement by W.E. Rowling, 23 May, 1978; and the article 'PM Calls Suzuki Talks "Breakthrough"' which appeared in *The Dominion*, 23 May, 1978.

3. B.E. Talboys' address to the Wellington Chamber of Commerce and Australia/New Zealand Association, 24 May, 1978.

4. The Ministry had changed its title to the Ministry of Agriculture, Forestry and Fisheries.

R.M. Miller (New Zealand's Ambassador to Japan), and officials from Foreign Affairs, the Prime Minister's Department, Trade and Industry, Treasury, the Ministry of Agriculture and Fisheries, the New Zealand Forest Service, and the Customs Department.

The composition of the New Zealand delegation reflected Wellington's concern to restrict the negotiations to broad trade issues. (Significantly, Bolger - the Minister of Fisheries - was not a member of the New Zealand negotiating team.) It is reported that Nakagawa had, on the other hand, in the early stages of the negotiations requested that the questions of Japanese fishing access to New Zealand's zone and New Zealand's access to the Japanese market should be dealt with together.<sup>1</sup> But at New Zealand's insistence Nakagawa was forced to accept the view that trade matters needed to be discussed before fishing zone access. There was, however, no question in anyone's mind that the negotiations involved far more than 'merely' matters of trade. What, in fact, was being negotiated was part of the price Japan would have to pay in return for fisheries access to New Zealand's 200-mile EEZ.

After two days of negotiations an agreement was reached. This is not the place to make a detailed assessment of the results of these negotiations - such assessment appears in the next sub-section. It is sufficient here to say that the Japanese appeared to have got the best of the bargaining exchange. Muldoon, himself, admitted that

'The Japanese Government has not met all the requests we have submitted to it. These [Japanese] proposals still fall well short of the assured and stable access arrangements we have been seeking for our exports to Japan of butter, skimmilk powder and sawn timber.'<sup>2</sup>

The Japanese, on the other hand, could show more tangible results from the negotiations. They had extracted from New Zealand a commitment 'to embark on negotiations with Japan leading to an agreement on Japan's access to the fisheries resources in New Zealand's 200-mile exclusive economic zone ... at the earliest possible date in July 1978.'<sup>3</sup>

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1. See 'Clash with Japan on Trade-For-Fish Deal' *The Dominion*, 30 June, 1978.  
 2. From a statement made by the Prime Minister to the press in Wellington, 30 June, 1978.  
 3. From the Agreed Press Statement issued by the Prime Minister at the conclusion of his meetings with the Japanese Minister of Agriculture, 30 June, 1978.

The long-postponed fisheries negotiations with Japan began at last in Wellington on 20 July. There followed two weeks of hard bargaining. Several issues prevented faster progress. One of these was Japan's demand to discuss fish quotas during this round of negotiations. New Zealand insisted that quotas would only be allocated *after* the fisheries agreement was concluded. Another difficult problem area involved that of the two enclaves of 'high seas' located within New Zealand's 200-mile EEZ.<sup>1</sup> But it was the typically cautious Japanese approach to negotiating - where the negotiators carefully examined every facet of the proposed agreement - which made for slow progress. Article IV of the agreement<sup>2</sup> is reported to have been particularly difficult to negotiate, with the Japanese painstakingly querying every word.

Finally, on 4 August, the leaders of the respective negotiating teams (Ian Stewart of the Ministry of Foreign Affairs, and Umeo Kagei the Japanese Ambassador to New Zealand) announced that settlement had been reached on the text of the agreement, and that they would be recommending it to their Governments. But, even at this late stage, there were problems. Muldoon had decided that the agreement was not acceptable in its present form. The Prime Minister argued that its 'diplomatic language' did not spell out clearly enough the link between Japan's right to fish in New Zealand's 200-mile zone and guarantees about New Zealand's access for its agricultural products to the Japanese market. He argued that before he could permit initialling of the agreement, the Japanese would have to accept an addendum to the agreement spelling out this link 'in plain English'.<sup>3</sup>

The Japanese refused to accept the inclusion of this extra clause. Instead, they offered a compromise proposal of a separate statement which would allow Muldoon to 'save face at home' while not committing them (the Japanese) to a formal admission that the issues of trade and fishing were directly related. This was the

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1. These enclaves, which exist on the Chatham Rise and Campbell Plateau (see Fig.2) had also created problems in New Zealand's fisheries negotiations with the Soviet Union.

2. Article IV referred, in part, to measures that the Government of Japan should take to ensure that: non-licensed Japanese vessels should not fish within New Zealand's zone; that licensed Japanese fishing vessels should comply with the relevant laws and regulations of New Zealand in respect of fisheries and the terms and conditions established in their licences; Japanese fishing vessels permit and assist boarding by competent New Zealand officials for the purposes of inspection or enforcement; and so on.

3. See 'Government Reels In On Fishing Agreement with Japan' *The New Zealand Herald*, 11 August, 1978.

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formula that was finally adopted. Muldoon released what amounted to a 'unilateral' statement which was not formally accepted by the Japanese.<sup>1.</sup>

The Agreement on Fisheries Between the Government of Japan and the Government of New Zealand was signed in Wellington on 1 September, 1978. (The terms of the Agreement will be detailed in sub-section IIIc.)

The analysis now turns to a consideration of how those different actors in New Zealand identified in Section I affected the course of the negotiations. Emphasis will here be given to the attitude of these actors to the New Zealand Government's exercise of linkage diplomacy.

First considered will be the commercial fishermen. It will be recalled that there had been considerable opposition expressed by some among this group of actors to the linkage diplomacy in the period leading up to the negotiations. Their major concern was that by linking fisheries access with other economic issues, Wellington was prepared to 'sell off' or otherwise neglect the interests of their industry. Such concern continued to be expressed by various industry spokesmen<sup>2.</sup> throughout the period of bargaining with Japan from October 1977 to September 1978. Many of the local fishermen were also unhappy about the way in which the Japanese fishermen were selected for discriminatory treatment by the New Zealand Government. The FIB, for example, noted that it 'must reveal some disquiet at the exclusion of Japan [from the EEZ], and the inclusion of the Republic of South Korea and the USSR.'<sup>3.</sup> Many New Zealand fishermen believed that if any DWFS were to be given privileged access to the zone it should be Japan; for not only had the Japanese been generally more cooperative than other DWFS in providing New Zealand with fisheries research data, but Japan also offered a potentially more attractive market for New Zealand's fish exports than

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1. This subject will be discussed in greater detail in the next sub-section.

2. It should be stressed again that not *all* the local fishermen were against the so-called 'fish-for-beef' strategy. Some such as N.Jarman (General Manager of the FIB) supported the 'Muldoon diplomacy', noting that 'However profitable our fishing industry is, it will do us no good if the rest of the economy is failing.' Quoted by J.B. Bolger in House of Representatives, *Hansard*, 20 June, 1978, p.1001.

3. See *Report of FIB, 1978*, p.14. In giving support for Japanese - as opposed to Korean or Russian - access, the FIB noted that there had been much cooperation in the fisheries area by Japanese organisations, including the squid fishing organisations and the Overseas Fisheries Foundation.



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did the Soviet Union and the Republic of Korea.<sup>1.</sup>

But as noted in Section II, the fishermen had very little political influence. It appears that the views of the local fishing industry were rarely solicited by the New Zealand Government during the various bargaining exchanges with Japan. Even in the fisheries negotiations of July/August 1978, the fishermen and their representatives had only a minimal input - unlike their Japanese counterparts who (while not sitting in on the formal talks) were in close and intimate contact with the Japanese negotiating team throughout the negotiations.<sup>2.</sup>

The author found no evidence to suggest that those other actors in the primary issue area - the officials in the Fisheries Management and Fisheries Research Divisions of the Ministry of Agriculture and Fisheries, and the Minister of Fisheries, J.B. Bolger - at any time during the negotiations with Japan opposed the linkage strategy adopted by the Government.<sup>3.</sup>

Neither does it appear that the New Zealand farmers or their representatives (Federated Farmers) - numerically the most important set of actors in the secondary issue area - expressed any opinion on the linkage strategy against Japan between October 1977 and September 1978. In fact, there was no reason for them to do so. They had previously (back in 1976) voiced their support for a trade-off strategy linking fisheries access with agricultural trade issues; and now the Prime Minister was strongly pushing for such a trade-off in the current negotiations with Japan. But there can be little doubt that if Muldoon had threatened to abandon the linkage strategy against Japan, the farmers would not have remained silent.

The analysis now considers the role of the Prime Minister in the fisheries, and related, negotiations with Japan. Given the importance of this actor, several paragraphs are devoted to this subject.

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1. See 'New Zealand Looks to Her 200-Mile Limits' *Fishing News International*, January, 1978, p.15.

2. The Japanese fishing industry had sent a team of 12 'technical advisers' to give advice to the *Nōrinsuisanshō* officials on the Japanese negotiating team.

3. It is possible, of course, that such opposition might have been expressed *privately* by these actors. But given their apparent acquiescence to - if not active support for - the 'Muldoon diplomacy' during the months preceding the negotiations with Japan, it is unlikely that they would have opposed it later.

At the outset, it should be stressed that it is difficult to over-exaggerate the influence of Muldoon in these negotiations. At almost every stage of the bargaining process he was a key participant. The question might be asked why the New Zealand Prime Minister had chosen to involve himself so deeply in this area. First, as noted in sub-sections Ib. and IIb., Muldoon had from the very start (back in early 1976) been intimately involved in the development of the linkage strategy - in fact, it may be claimed to be a creature of his own creation. He had, therefore, a strong personal interest in the success of this strategy. Second, Muldoon prided himself on being a strong politician.<sup>1</sup> It is likely that Muldoon wished to project this image on the wider international stage by being a tough bargainer against the Japanese - who had, themselves, a considerable reputation as tough negotiators. Third, it is possible that Muldoon was also motivated by anti-Japanese sentiments. His very colourful statements about Japanese 'commercial imperialism' and the need to drag Japan 'kicking and screaming into the international community' seem to suggest that. Fourth, the Prime Minister appears to have had a strong distrust of bureaucrats in general, and of diplomats in particular. For example, in his address to Japanese businessmen in Wellington in February 1977 he had observed that there was a 'need for politicians to solve political problems'. Again in August 1978, during the fisheries negotiations he demonstrated his impatience with the diplomats when he insisted upon an addendum to the Agreement which should be spelt out 'in plain English' (in contrast with the 'diplomatic language' used in the Agreement proper).

But tough and powerful though he was, Muldoon was still vulnerable to political pressures. These pressures from both domestic and foreign sources were enough to induce the Prime Minister to moderate - if only slightly - his policy stance against Japan in April/May 1978.

Muldoon's abrasive and bullying political style had, over the years, won him a large number of enemies. There were many within the National Party who could not forgive Muldoon for the way in which he had ousted his predecessor - Sir John Marshall - from the post of Party leader. Muldoon's personal attacks on political opponents -

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1. The political historian Keith Sinclair, for example, has argued that Muldoon acts in a very assertive, aggressive and rough manner in part because he (Muldoon) believes that New Zealand voters admire and want a tough leader. See his 'The Red Hand of Tamaki' *New Zealand Listener*, 7 January, 1978, p.12.

especially that against Colin Moyle<sup>1</sup>. - had attracted much criticism from a broad sector of the New Zealand community. By early 1978, there was growing concern within the National Party that Muldoon's style of leadership might lead to electoral disaster. (The national elections were due before the end of the year.) Early that year the Party president's<sup>2</sup> support for Muldoon had been increasingly marked by reservations.<sup>3</sup> In late March, the generally conservative *Christchurch Star* ran a series of Editorials titled 'Why Not Get Rid of Muldoon?' This newspaper noted that 'At times his [Muldoon's] inability to cure his impetuosity and his wilfulness as a one-man band have been harmful', and 'He can bully, he can hector, but he cannot, because of his very nature, inspire the people of this country, and unify them'. The Editorials further claimed that despite (or because of) his tough manner, Muldoon's economic policies had not been particularly successful.<sup>4</sup> It seemed, therefore, that if Muldoon wished to retain the post of Party leader he would have to consider changing his image from that of a tough and ruthless leader, to that of a successful leader.

These very criticisms were also levelled against Muldoon with respect to his handling of the fisheries and trade negotiations with Japan. It will be noted shortly how various actors in New Zealand argued that despite (or because of) his tough approach towards Japan, the Prime Minister had been remarkably unsuccessful.

The 'Muldoon diplomacy' also drew criticism from overseas. The Australian Prime Minister, Fraser, is reported to have written a letter to United States' President Carter in which he expressed concern that while Japan was being excluded from the New Zealand zone, Wellington - a partner in ANZUS - was encouraging the Russians to come in.<sup>5</sup> Again in March, when Muldoon had said there was a considerable element of 'commercial imperialism' in Japan's approach to trade matters, the Australians were anxious to be dissociated from these remarks. Doug

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1. Where Muldoon had accused Moyle - a former Labour Minister and then Deputy Leader of the Labour Party - of 'certain sexual activities'.

2. George Chapman.

3. See David Mitchell's article 'A Storm Around Muldoon's Head' *The Age*, 10 May, 1978, in which Chapman is quoted as saying that Muldoon was 'the most controversial politician of our time'.

4. See 'Why Muldoon Must Go - 3' *Christchurch Star*, 29 March, 1978.

5. Robert Haupt 'Fraser Criticises NZ Fish Diplomacy' *The Australian Financial Review*, 14 November, 1977.

Anthony, who was on the point of leaving for a visit to Japan, observed 'I don't think his remarks are relevant to my visit. I think we've made very good progress in our trade relations with Japan.'<sup>1</sup>

The Deputy Prime Minister and Minister of Overseas Trade, Brian Talboys, played a significant role in the negotiations with Japan - at least in their initial stages. It was he who led the New Zealand delegation to Tokyo for the important discussions of October, 1977. However, from about May 1978 onwards, Talboys' participation in the negotiations was much reduced. First, he was overseas for much of the period leading up to the fisheries negotiations which began in July. Second, the Prime Minister had demonstrated that he wished to take command of New Zealand's diplomatic effort in this area. Throughout, Talboys gave full support publicly to the exercise of linkage diplomacy. But there were times when the Minister revealed his private concern about the 'Muldoon diplomacy'. It has been noted above how in May (in his address to the Wellington Chamber of Commerce), he was reported as saying he had detected signs of only 'limited progress' in the trade negotiations with Japan. Talboys, however, moved quickly to repair the damage caused by this statement, and told New Zealand journalists that there were no differences existing between Muldoon and himself with respect to the negotiations with Japan.<sup>2</sup>

It was noted above how Muldoon was subjected to criticism by a number of actors in New Zealand for, what was claimed to be, his mishandling of the fisheries and trade negotiations. In addition to the expected criticism from sections of the local fishing industry, there was also criticism from actors within the 'other issue areas' category - namely, the Japan/New Zealand Businessmen's Association, certain officials from the Ministry of Foreign Affairs, the Labour Party, and others.

It appears that sometime between the Suzuki visit to Wellington in February 1977 and Muldoon's meeting with Suzuki in May that year, the Prime Minister received a delegation from the Japan/New Zealand Businessmen's Association. According to a number of interviewees questioned by the author,<sup>2</sup> the businessmen had then warned the Prime

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1. 'Remarks By Muldoon "Not Relevant"' *The Canberra Times*, 14 March, 1978.

2. See 'Limited Change Alters Speech' *The Dominion*, 26 May, 1978.

3. There appears to be no public record of the results of this meeting between the Prime Minister and the delegation from the JNZBA.

Minister of the dangers attached to his diplomatic offensive against Japan. They believed<sup>1</sup> there was a risk that the Japanese might retaliate by taking action against New Zealand in some other trade area. Muldoon was, therefore, strongly urged to moderate his negotiating position.

Recent statements by both Japanese and New Zealand Government spokesmen gave grounds for concern of a widening of the trade dispute. At the end of his February visit, Suzuki was asked whether New Zealand would find a 'less helpful' attitude from Tokyo if the fishing ban went ahead. Suzuki replied 'we don't really know how the Japanese people will react to that act'. Pressed further on whether he could rule out the prospect of trade reprisals, he countered 'That is not something we can really assess at this stage'.<sup>2</sup>

There was also a risk that the *New Zealand* Government might decide to escalate the trade dispute. In March, 1978, Muldoon is reported as saying

'The Government is not at this stage considering action to curb Japanese exports to New Zealand in retaliation for Japan's refusal to buy more New Zealand farm products. But there were circumstances where action against Japanese products could be appropriate in selected areas.'<sup>3</sup>

Spokesmen from the Labour Party took every opportunity to embarrass the Prime Minister over his so-called 'fish-for-beef' diplomacy. For example, in November, 1977, Colin Moyle (Labour's former Agriculture and Fisheries Minister) dismissed as 'hopeless' the Government's policy of attempting to force the Japanese to the negotiating table over farm exports in return for access to the EEZ. He is quoted as saying

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1. It was suggested to the author that the JNZBA was divided between 'hard-liners' (headed by John Mowbray, Chairman of the JNZBA) who generally supported the 'Muldoon diplomacy', and 'soft-liners' (headed by Brian Tolley) who were opposed to the trade-off strategy.

2. Quoted in the article 'Japanese Envoy Reticent On Trade Reprisal Question' *The Dominion*, 23 February, 1978.

3. From the article 'Ambassador Disowns Trade Remarks' *The Dominion*, 14 March, 1978. When Muldoon was asked at a press conference if he was considering action in these 'selected areas', he replied 'Not at the moment'.

'Foreign Affairs must have advised the Government that this approach was destined to fail and would possibly result in retaliatory action that would not benefit New Zealand.'<sup>1</sup>.

Moyle went on to conjecture that the indefinite postponement in the Auckland-Tokyo Air New Zealand route proposal might have been one such reaction by Japan. He maintained that there was 'too much at stake in the Japanese market for the Government to continue its policy of excluding the Japanese from the 200-mile zone.'<sup>2</sup>. Moyle argued that

'We could get very useful and attractive fish-for-fish deals with Japan, rather than beef-for-fish deals.'<sup>3</sup>.

Another Opposition frontbencher poured scorn on the Prime Minister's foreign policy initiative. Shortly before Nakagawa's visit, W. Freer taunted the Prime Minister by observing

'The Prime Minister said that he was going to drag Japan screaming and kicking into the modern commercial world. But who is squealing now? When he returned from Melbourne, the Prime Minister told us how successful his talks had been, and that he made a breakthrough. It is now obvious that the only breakthrough made is the Prime Minister's realisation that one does not get anywhere with Japan by beating the big drum - which is what the Opposition said last year.'<sup>4</sup>.

The last set of actors considered here are those officials employed in New Zealand's Ministry of Foreign Affairs. Attention was drawn in sub-section IIc. to the way in which these officials were, in the period leading up to the negotiations with Japan, divided in their attitude towards the trade-off strategy proposed by the Prime Minister. These divisions remained throughout the 11 months of negotiations - with

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1. See 'Moyle Supports Japan Venture' *The Dominion*, 10 November, 1977..

2. *Ibid.*

3. *Ibid.* The so-called 'fish-for-fish' deals involved the granting of fisheries access to Japan in exchange for Japanese cooperation in the fisheries area - such as concessions with respect to fish market access.

4. W.W. Freer in the House of Representatives, *Hansard*, 20 June, 1978, p.999.

some officials favouring the linkage diplomacy, and others opposed to it. The latter were convinced that the costs associated with the 'Muldoon diplomacy' outweighed any likely benefits. Their arguments that the linkage strategy could lead to an escalating trade war and to the undermining of the bilateral relationship were aired both within the Ministry of Foreign Affairs and at various inter-Departmental committee meetings. It does not appear, however, that the most senior diplomats involved in the negotiations - including Ambassador Miller in Tokyo and Ian Stewart, who headed the New Zealand team in the fisheries negotiations with Japan - were anything but supportive of the linkage strategy.

### IIIc. Bargain Outcome

The analysis now turns to the outcome of the New Zealand-Japan fisheries, and related, negotiations of 1977-78. This involves a detailed examination of: one, the terms of the fisheries agreement signed on 1 September, 1978; and two, the terms of the Muldoon/Nakagawa trade agreement concluded on 30 June, 1978. Emphasis is given, on the one hand, to the concessions made by New Zealand with respect to Japanese fishing access to the EEZ and, on the other, to the 'price' paid by Japan for these concessions. The concluding paragraphs of this sub-section assess the degree to which New Zealand's exercise of linkage diplomacy was successful. It should be stressed, however, that this assessment is based on the *immediate* outcome of the initial round of negotiations involving Japanese fishing access to New Zealand's EEZ. For a more reliable estimate of the bargain outcome the analyst would have to make further assessments over a period of months or years.

The Agreement on Fisheries Between the Government of Japan and the Government of New Zealand - hereafter referred to as the Fishing Agreement, or the Agreement - provided the basis for New Zealand's future fisheries relations with Japan in the context of New Zealand's extended maritime jurisdiction.

The preamble to the Agreement recognised that

'in accordance with relevant principles of international law, the Government of New Zealand has established a zone of 200 nautical miles within which it exercises sovereign rights for the purpose of exploring and exploiting, conserving and managing the living resources.'

The Japanese Government recognised that New Zealand, in the exercise of these sovereign rights, would determine annually: the total allowable catch for individual fishery resources; the New Zealand harvesting capacity in respect of such fishery resources; and the allocation for fishing vessels of Japan of parts of surpluses of fishery resources.<sup>1.</sup>

The Japanese also agreed, among other things, to take measures to ensure that: nationals and fishing vessels of Japan refrain from fishing within the New Zealand zone unless licensed to do so: that all fishing vessels of Japan licensed to fish within the zone comply with the relevant laws and regulations of New Zealand in respect of fisheries, the provisions of the Agreement and the terms and conditions established in their licences; and that all Japanese fishing vessels allow and assist boarding by competent New Zealand officials for the purposes of inspection and enforcement.<sup>2.</sup>

Under Article VIII, Japan also agreed to cooperate with the Government of New Zealand in the planning and conduct of scientific research for the purposes of managing and conserving the living resources within the zone, and to make available such statistical and biological information as may be required by New Zealand for the purposes of managing and conserving these resources.

Further, the Government of Japan asserted that it would in future periodic bilateral consultations examine the possibility of developing further cooperation in the field of fisheries, including in particular: exchanges of technical information and personnel; the expansion of markets, including improved market access for fish and fish products originating in New Zealand; and the facilitation of cooperative arrangements between Japanese and New Zealand enterprises for the catching of living resources from the New Zealand zone and for the utilisation, processing and marketing of catches from the zone.<sup>3.</sup>

Most significantly,<sup>4.</sup> Tokyo recognised, under Article X paragraph 3, that

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1. See Article III, paragraph 1.

2. See Article IV, paragraph 1.

3. See Article X, paragraphs 1 and 2.

4. The significance of Article X, paragraph 3 will be explained later.



'The Government of New Zealand, in the exercise of its sovereign rights under Article III, will take into consideration all relevant factors including, *inter alia*, New Zealand interests, the development of cooperation between the two Governments pursuant to this Agreement and the record of Japanese fishing for living resources off the coast of New Zealand prior to signature of this Agreement.'

The New Zealand Government, for its part, provided certain assurances to the Japanese. For example, in the preamble to the Agreement, Wellington recognised that

'nationals and fishing vessels of Japan have been engaged, for a considerable period of time, in the utilisation of the living resources off the coast of New Zealand and have also contributed to the development of and research into such resources [and recognised further] the desire of the Government of Japan that fishing vessels of Japan continue to pursue their interest in the utilisation of these resources.'

Under Article II the Government of New Zealand undertook to permit Japanese fishing vessels to fish within the zone, subject to the provisions of the Agreement, for allocations of parts of total allowable catches surplus to the domestic fishing industry's harvesting capacity.

The Agreement entered into force on the date of signature - that is, 1 September, 1978 - and was to remain in force until 30 June 1982, unless terminated by either Government by giving notification of such termination 12 months in advance.

On 4 September, 1978, the New Zealand Government announced the fish quotas allocated to Japan.<sup>1</sup> These were: 65,000 tonnes of fin fish<sup>2</sup> for the period 1 September, 1978 to 31 March, 1979; 33,000 tonnes of squid

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1. It will be recalled that fish quotas were not negotiated between Wellington and Japan, but were determined unilaterally by the New Zealand Government. The exact manner in which the fish quotas for DWFS were arrived at has not been made public. However, it seems that the Fisheries Research Division first calculated a TAC figure based on two-thirds of the maximum sustainable yield. From this figure was deducted the tonnage capable of being harvested by New Zealand fishing vessels and by joint venture craft. The remainder represented the surplus available to the DWFS.

2. Of which 56,000 tonnes were to be by trawl, and 9,000 tonnes by bottom-line.

for the year 1 September, 1978, to 31 August, 1979; and an unspecified amount of Southern bluefin tuna - but which was estimated to be about 7,000 tonnes. It was also announced that Japan was to be charged \$5.6 million in licence fees.<sup>1</sup>

It does not appear that the Fisheries Agreement with Japan brought any substantial new and immediate benefits to the New Zealand fishing industry. The Interim Measures introduced on 1 October, 1977, and the establishment of the EEZ on 1 April, 1978, had already assured the local fishermen of a reasonable degree of protection from the DWFS in the harvesting of prime fish stocks off New Zealand. The licence fees paid by Japan (and by the Russians and Koreans)<sup>2</sup> were unlikely to be of much direct benefit to the domestic industry, for they were expected to be only a little more than the costs involved in policing the 200-mile zone. Neither had any firm guarantees been given by Japan concerning improved market access for New Zealand's fish exports, the exchange of technical information and personnel, or for the local processing of fish caught in the zone. It is true that the Japanese had - under Article VIII - agreed to cooperate in the planning and conduct of scientific research in the zone, and to make available certain statistical and biological information. But the Japanese had, for some time, been cooperating in these areas.

The Fisheries Agreement with Japan (and those with the Soviet Union and the Republic of Korea) did, however, promise substantial *future* benefits to the local fishing industry. Through the annual granting of fishing quotas, New Zealand had a powerful weapon to guarantee the continued 'good behaviour' of the DWFS. If the foreign fishermen refused to cooperate in any of the areas listed above, Wellington could - under Article X paragraph 3 - reduce, or even totally refuse, quotas to offenders.

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1. Wellington had set the fees for catcher vessels (of any nationality) at five per cent of the average international value of a tonne of fish allocated as of 1 April each year. The fees announced in mid-1978 were: for fish caught by trawl \$17/t; fish caught by bottomline \$25/t; trawl squid (up to August 1978) \$80/t; trawl squid (September 1978 to August 1979) \$55/t; jig squid \$80/t; tuna vessels (albacore and yellowtail) \$1,500/vessel; tuna vessels (Southern bluefin) \$9,000/vessel; support craft fees \$1 of its gross tonnage for each voyage into the zone; and fish carriers \$2/t of its capacity for each voyage into the zone.

2. The total licence fees to be paid by the Japanese, Russians and South Koreans for 1978-79 were estimated to be some \$9.4 million. From estimates quoted in *Catch '78*, October, 1978, p.13.

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The Japanese fishermen should have been reasonably satisfied with the settlement. It is true that they were not very happy about the level of licence fees - claiming that they were considerably higher than those charged by the United States and some other countries.<sup>1</sup> But the Japanese fared no differently in this area than the Russians and the Koreans. The Japanese also complained about the 'severe' fish quota, noting that it amounted to well under half their total catches in New Zealand's offshore waters in 1977-78<sup>2</sup>. But the Japanese had, in fact, been accorded better treatment than either of the other DWFS. The Soviet Union had been allocated 60,000 tonnes of fin fish and 4,000 tonnes of squid for the year ending 31 March 1979; and the South Koreans 32,500 tonnes of fin fish for the same period. (It will be recalled that Japan's quota for fin fish of 65,000 tonnes was for only a seven-month period.) C. Spiers - President of the Federation of Commercial Fishermen - claimed that Japan had received preferential treatment with respect to quotas in part because it had been fishing in New Zealand waters far longer than had the other two countries. But, most importantly in the context of this thesis, he also argued that

'As New Zealand hoped for better access to the Japanese meat market, it had diplomatic reasons for giving Japan the major share.'<sup>3</sup>

Such comments were only to be expected for New Zealand had, in the Fisheries Agreement with Japan, been successful in linking the question of fishing access with broader (that is, non-fisheries related) economic issues. It will be recalled that in Article X paragraph 3 the Japanese had recognised that, in allocated fishing quotas to foreign fishermen, the New Zealand Government had the right to 'take into consideration all relevant factors' - one of these being 'New Zealand interests'. In its overall relationship with Japan the most significant issue affecting New Zealand's national interest was,

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1. Reported in 'Japan, New Zealand Ink 4-Year Fishery Accord in Wellington' *The Japan Times*, 2 September, 1978.

2. See 'NZ Limits Fish Quota for Japan to 98,000 Tonnes' *The Japan Times*, 5 September, 1978.

3. Reported in 'Japanese Get Preference in Fish Quotas' *The Press*, 5 September, 1978.

without doubt, the trade in agricultural commodities. The inclusion of this paragraph in the Agreement amounted to a major concession by the Japanese, and one which they were to regret later when they entered into fisheries access negotiations with Australia. It will further be recalled that Wellington had also made a separate statement in which the link between Japan's right to fish in New Zealand's EEZ and guarantees about New Zealand's access for its agricultural products to the Japanese market were spelt out 'in plain English'.

In brief, the New Zealand Government had sought (and obtained) in the fisheries negotiations of July/August, 1978, 'only' a broad statement from Japan recognising the linkage between fishing access and other issue areas. It was in the trade discussions held in late June that year where Wellington sought *specific* concessions from Tokyo in exchange for fisheries access.<sup>1</sup> The analyst must, therefore, examine the terms of the agreement reached at the conclusion of *this* set of negotiations (the so-called Muldoon/Nakagawa talks) to determine the degree to which New Zealand's exercise in linkage diplomacy was successful.

In what may well be a distinctive feature of linkage diplomacy,<sup>2</sup> the detailed terms of the June agreement were not made public by either the New Zealand Government or by the Japanese Government. The agreement was, in fact, commonly referred to as a secret agreement.

The first question to be asked is, at whose insistence was the agreement supposed to be kept secret? It is reasonable to assume that that side which insisted on secrecy was the party which fared worst in the negotiations. After the Muldoon/Nakagawa talks *both* sides argued that it was the other which wanted secrecy. Nakagawa claimed that the results of the negotiations were being kept secret at Wellington's request<sup>3</sup> - thus implying that it was New Zealand which had made major concessions in the discussions. New Zealand, however, argued that precise

1. As noted in the previous sub-section, in one sense it can be argued that there was no linkage in the Muldoon/Nakagawa talks of June 1978, for only bilateral trade problems were discussed. However, there was no doubt in anyone's mind that far more than trade problems were then being negotiated. What *was* being discussed was the 'price' which Japan was expected to pay in exchange for fisheries access.

2. This aspect of linkage diplomacy will be explored further in the final chapter of the thesis.

3. At the conclusion of the negotiations Nakagawa is quoted as saying 'I don't think they [the details of the agreement] are to be called secret. There are some items that *you* [New Zealand] would make public and some that *you* wouldn't choose to do so ... I would also say that there are no particular things that *we* [Japan] have agreed to keep secret'. Quoted in Tony Garnier 'Fish-for-Trade Breakthrough - a Post-Election Pandora's Box?' *The Evening Post*, 18 July, 1978.

details of the agreement were to remain secret at the insistence of the Japanese, who allegedly feared that concessions they had made to New Zealand could affect Japan's trading relationships with Australia, the Common Market and the United States.

Many New Zealanders appeared prepared to accept the Japanese version of why the terms of the agreement were kept secret. An Editorial in *The Dominion* observed that 'The curious decision to keep the details of the agreement secret invites endless, not to say politically dangerous (for the Prime Minister), speculation!'<sup>1</sup>. Tony Garnier of *The Evening Post* suggested that there were strong indications that New Zealand 'had been hoodwinked by Japan on the fish-for-trade issue'.<sup>2</sup> Richard Long of *The Dominion* bluntly argued that 'Rob Muldoon got Nakagawaed'.<sup>3</sup> The Opposition leader, Bill Rowling, asserted 'we now have an agreement which gives the Japanese fishing rights in exchange for so little it has to remain secret'.<sup>4</sup> He added 'The argument that details must be kept secret to protect Japan's relations with other nations won't wash. It will take the diplomatic world no time at all to discover exactly what this agreement involves.'

The latter observation leads to the second question - namely, just how secret was the agreement? It may have been the original intention of both Wellington and Tokyo to make the terms of the agreement unavailable to the public. If so, it did not work out that way. Ministers on both sides felt compelled to make statements clarifying what had been promised in the agreement. There were also leaks to the press in New Zealand and Japan.<sup>5</sup>

The reader will recall that Muldoon had admitted that the Japanese proposals in the agreement still fell 'well short of the assured and stable access arrangements we have been seeking for our exports to Japan of butter, skimmilk powder and sawn timber'.<sup>6</sup> The following paragraphs

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1. 'Going Soft On Japan' *The Dominion*, 5 July, 1978.

2. Tony Garnier *op.cit.*

3. Richard Long 'Even Staying Alive A Breakthrough' *The Dominion*, 10 July, 1978.

4. W.E. Rowling, press statement, 2 July, 1978.

5. It may be added that the accuracy of these various statements was checked by the present author in the course of a number of interviews conducted in Tokyo and Wellington with some of those officials privy to the agreement.

6. From Muldoon's press statement, 30 June, 1978.

outline what is known of the details of the Muldoon/Nakagawa agreement in the four main trade areas of dairy products, beef, timber and fish.<sup>1.</sup>

It was widely reported in the New Zealand media<sup>2.</sup> that Muldoon believed that the 'most important movements' made by the Japanese lay in the area of greater access for New Zealand dairy produce. The Prime Minister noted

'Mr. Nakagawa confirmed that the Japanese Government recognises the importance to New Zealand of its dairy exports and its position in world trade as an efficient dairy producer. Mr. Nakagawa took note of the fact that New Zealand's dairy exports are not subsidised and expressed his view that New Zealand is the most important and most reliable supplier of dairy products; and that when the LIPC, as a State trading organisation, needs to import butter and/or skim milk powder, it will take account of these considerations.'<sup>3.</sup>

Much was made of the formula of words by which Tokyo recognised New Zealand as 'the most important and most reliable supplier of dairy products.' It appeared that Japan had placed New Zealand ahead of all other countries as a source for any increase in imports Japan might make. Nakagawa apparently gave a detailed explanation in his talks with Muldoon on what 'reliable supplier' meant to Japan. According to one source, 'it places New Zealand inside the framework of Japan's goal of food self-sufficiency, so that there will be a permanent place for New Zealand's dairy industry in supplying the Japanese market.'<sup>4.</sup>

Apart from this broad commitment, there were several specific proposals made by Japan with respect to the trade in dairy products.

1. It will be recalled from the previous sub-section that Wellington had added fish to the list of trade items for which it sought concessions.

2. See, for example, 'Dairy Goods for Fishing Deal Likely' *Auckland Star*, 2 July, 1978, and 'NZ Hasn't Got All It Wanted From Japan, Says PM' *New Zealand Herald*, 2 July, 1978.

3. Agreed Press Statement by the Prime Minister, 30 June, 1978.

4. Quoted by Ian Templeton 'Weighing Up Gains - with Caution' *Auckland Star*, 1 July, 1978. The name of the source was not revealed.

One of these was a promise that Japan would consult New Zealand in advance on tenders for butter and skimmilk powder. Further, the Japanese offered to purchase some \$6 million worth of milk powder and other dairy products as part of Japan's overseas aid programme to Third World countries, and for its domestic welfare programmes. (This concession by Japan differed little from that offered to - and rejected by - Talboys in October, 1977; although this time it appears the Japanese made a statement of intent that such purchases would not be on a 'one-off' basis.)

There is no evidence publicly available to suggest that the Japanese made any significant concessions with respect to the trade in beef. We do know that Nakagawa had made a relatively bland statement to the effect that his Government was 'making a serious effort to increase the consumption of beef in Japan and this effort was beginning to show results.'<sup>1</sup> He expected that imports of beef would increase in the future as market demand in Japan expanded. The Minister did, however, agree that officials of both countries would meet regularly to exchange information on the beef supply and demand situation.

It appears that the Japanese were even less forthcoming on the timber trade issue. There were no signs that the Japanese were yet prepared to reclassify New Zealand *pinus radiata* as a timber suitable for construction purposes. The Japanese insisted that they required further technical information before they could complete their assessment. It was agreed that a team of Japanese experts would visit New Zealand at an early date to collect this information.

Some confusion surrounds the concessions believed to have been extended by Japan with respect to the importation of New Zealand fish products. In the Agreed Press Statement of 30 June, Muldoon claimed that Nakagawa had assured him 'that Japan would give a positive response in the MTN to some of the requests that New Zealand had put to Japan on fish.' It was then generally believed - both in New Zealand and Japan<sup>2</sup> - that the Japanese negotiators had agreed to reduce the tariff on squid from 10 per cent to 5 per cent, and to

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1. From the Agreed Press Statement, 30 June, 1978.

2. For New Zealand comments see, for example, Richard Long *op.cit.* In Japan, the *Suisan Keizai Shimbun* (4 July, 1978) noted that as a result of the trade negotiations with New Zealand 'the Japanese side promised that it will make efforts at the MTN to reduce the tariff on cuttlefish (squid) from the present 10 per cent to 5 per cent and also reduce tariffs on sea bream and Spanish mackerel'.

make reductions in the tariffs on other fish products exported by New Zealand.

Barely a month later, however, the visit of Nobuhiko Ushiba (Japan's Minister of External Economic Affairs) raised doubts whether Japan had made such a commitment. At a news conference in Wellington the Minister revealed that any reduction in duty on New Zealand exports of squid would take place gradually over an eight-year period, and would not apply to New Zealand alone but to all GATT members.<sup>1</sup> (This was subsequently confirmed at the multilateral trade negotiations in Geneva where Japan agreed to a number of tariff reductions including that on squid.) Ushiba's statements apparently came as a surprise to New Zealand's Minister of Fisheries, Bolger.<sup>2</sup>

In mid-1978, it was evident to most New Zealanders that it would likely be a long time before the full range of concessions (such as they were) offered by Japan at the Muldoon/Nakagawa talks were known. There was a chance that some details of these concessions might be revealed after the conclusion of the GATT talks, which were then in progress in Geneva. But, other than this, the New Zealand public would have to wait for Japanese moves over the next year or so to lower import restrictions on the trade in dairy products, beef, timber and fish, for further evidence that Nakagawa had offered much to Muldoon.<sup>3</sup>

In summary, New Zealand's exercise of linkage diplomacy can be considered a partial success. While Tokyo failed to make all the concessions sought by Wellington in the dairy products, beef, timber and fish products trade areas, it did make *some* concessions. Further, in the Fisheries Agreement the Japanese recognised New Zealand's right to link fishing access with broader economic issues. At the very least, the diplomatic offensive against Japan had advertised - as never before - the seriousness with which New Zealand viewed its trading problems with that country.

Finally, it might be asked whether the interests of the New

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1. See the article by Mike Nicolaidi 'Trade Talks Result Is Obscure' *The Evening Post*, 4 August, 1978.

2. Reported in 'Japan Would Cut Duty on Squid Over Eight Years' *New Zealand Herald*, 4 August, 1978.

3. See the article by Mike Nicolaidi 'Benefits from Deal with Japan May Be Slow to Come Through' *The Evening Post*, 4 July, 1978, where he argues that Japan's response on the crucial issue involved in the access question - dairy products, particularly butter - may not become clear for two years or more.



Zealand fishing industry had suffered as a result of the 'Muldoon diplomacy'. Without question the local fishermen had made substantial gains from the establishment of a 200-nautical mile EEZ, particularly with regard to the limits placed on foreign fishing competition for prime fish stocks. But in other areas - for example, access for New Zealand fish exports into Japan's fish markets, the local processing of fish caught in New Zealand's zone, and the exchange of technical information and personnel - the commercial fishermen had considerably less cause for satisfaction. It can be argued that Japan might have been more generous in these areas had New Zealand decided to use its bargaining leverage in the negotiations to extract concessions related *only* to fisheries (in other words to seek 'fish-for-fish' deals) rather than seeking broader economic concessions from Japan. This does not necessarily mean, however, that any permanent damage had been done to the local fishing industry. 'Fish-for-fish' deals could be negotiated in the future when Wellington announces its annual fish quotas to the DWFS.

#### IV Summary

The following paragraphs provide a brief summary of the major features of the New Zealand case study.

It will be recalled that Section I involved identification of the major issue areas in the economic relationship between New Zealand and Japan, and a description of the actors in New Zealand significantly involved in these issue areas. This section also assessed the relative levels of dependence (or dominance) experienced by New Zealand in each issue area and in the overall bilateral relationship with Japan.

In the primary issue area (namely fisheries) it was argued that Wellington had a net potential bargaining leverage over Tokyo. While New Zealand's EEZ is not rich in living resources when compared with some other coastal states it does contain a quantity of fish, including valuable species such as certain varieties of tuna and squid, attractive to the Japanese. This bargaining leverage is somewhat offset by New Zealand's dependence on Japan in such areas as access to the Japanese fish market, the provision of fisheries research data, and technical assistance to the local fishing industry. It is possible, however, that a number of other DWFS (including the Soviet Union, South Korea and some European countries) wanting to fish in New Zealand's zone could take the place of Japan in some of these areas. Those actors in New Zealand most intimately involved in the primary issue area

include the 7,000 commercial fishermen and their representatives, officials in the Ministry of Agriculture and Fisheries, and the Minister of Fisheries.

Sub-section Ib. was concerned with identifying the secondary issue area - namely, that issue (or group of issues) unrelated to fisheries which, if any, Wellington was most likely to link to the question of fishing access in its fisheries negotiations with Japan. It was noted how the New Zealand Prime Minister, Muldoon, had early (in 1976) indicated that he would use his country's bargaining leverage in fishing to obtain concessions from Japan in the agricultural trade area. This sub-section detailed New Zealand's dependence on the Japanese market for the sale of its dairy products, beef, timber and fruit, and the problems facing New Zealand in these trades both with Japan and in other markets. The secondary issue area actors included New Zealand's farmers, bureaucrats with major responsibility for agricultural affairs in the Ministry of Agriculture and Fisheries and in the Department of Trade and Industry, and various Government Ministers - including the Minister of Agriculture, the Minister of Overseas Trade, and the Prime Minister.

Sub-section Ic. identified those other issues in the New Zealand-Japan relationship - and those actors in New Zealand significantly involved in them - not included in the primary and secondary issue areas. The relatively simple nature of the bilateral economic relationship was there revealed. Those actors in the 'other issue areas' category included the aluminium and iron ore exporters, New Zealand businessmen involved in importing from Japan, officials in the Ministry of Foreign Affairs, and Brian Talboys (the Minister of Foreign Affairs).

Section I concluded by noting that, with respect to the relative levels of dependence in the *overall* bilateral economic relationship, New Zealand was far more dependent on Japan than the reverse case.

Section II examined the process of policy formulation in New Zealand with respect to the establishment and implementation of a 200-nautical mile exclusive economic zone. Emphasis was given to determining what the various actors (or groups of actors) identified in Section I wished to gain from New Zealand's bargaining leverage over foreign fishing access.

It was discovered that the commercial fishermen were unanimously in favour of the establishment of a 200-mile EEZ. Most were prepared to tolerate a certain level of foreign fishing activity in the zone,

so long as this activity was very carefully regulated - especially with respect to the harvesting of prime fish stocks of the continental shelf. The fishermen were generally agreed that the New Zealand Government should use its leverage over foreign fishing access to extract concessions from the DWFS likely to be of direct benefit to their industry, such as: improved market access overseas for New Zealand fish exports; the local processing of fish caught in New Zealand's zone; higher levels of scientific research into the living resources of the zone; the training of New Zealand fishermen in new fishing techniques; and so on. It was noted, however, that some New Zealand fishermen supported the 'Muldoon diplomacy', recognising that their country's economic situation was sufficiently serious to justify a 'fish-for-trade' strategy in the coming negotiations with Japan. Bolger, the Minister of Fisheries, also appeared to support the linkage concept; while officials in the Fisheries Management and Fisheries Research Divisions of the Ministry of Agriculture and Fisheries were publicly silent on this issue.

Most of the actors in the secondary issue area were strongly in favour of linkage diplomacy. As early as mid-1976 the major farmers' representatives urged the Prime Minister to embrace such a strategy against Japan. Sub-section IIb. noted that the farmers had in Muldoon - the leader of a political party much dependent on the rural vote - a strong champion of a trade-off strategy. The evolution of Muldoon's policies in this area were there outlined. In early 1976 the Prime Minister had spoken in rather general terms noting that just as New Zealand should consider Japan's natural interest in access to New Zealand's fish resources, so the Japanese should also recognise New Zealand's concern about fair access for its agricultural exports to Japan. A year later, however, Muldoon was making a clear and direct linkage between the two issues. He warned the Japanese that no access agreements would be signed with any Japanese fishing organisation until New Zealand received an assurance of regular access to its farm products on the Japanese market. It was further noted that the Minister of Overseas Trade (Brian Talboys) generally supported the trade-off strategy, as did the bureaucrats in the Department of Trade and Industry and the Prime Minister's Department.

Sub-section IIc. considered how those actors in the 'other issue areas' category viewed the proposed negotiating approach towards Japan. There is no evidence to suggest that either the aluminium or iron ore exporters voiced their opposition to the 'Muldoon diplomacy'. Neither was it revealed that other members of the New Zealand business community had warned of the dangers attached to the trade-off strategy. (Although given the statements of some members of the Japan/New Zealand Businessmen's Association later - during the negotiations with Japan - it is possible that such warnings were communicated in private to the Prime Minister or other Government representatives.) Officials in the Ministry of Foreign Affairs were divided on this issue, with some favouring the linkage diplomacy and others against. This sub-section concluded by noting that the Labour Opposition had no coherent policy position in this area. At first Labour supported a hard line against Japan (that is, they supported the Prime Minister's policy initiative) but later - when the negotiations with Japan were at an impasse - urged the abandonment of 'fish-for-trade' deals in favour of a 'fish-for-fish' strategy.

In summary, the attitudes of different actors in New Zealand towards the linkage concept very roughly equated with those suggested in the analytical framework. The strongest support for trade-offs (where fisheries access was to be exchanged for concessions from Japan in the agricultural trade area) came from actors in the secondary issue category. The greatest opposition to such trade-offs came from actors in the primary issue area, with somewhat less opposition from the 'other issue areas' category. There was no question that the political influence of those in favour of the 'Muldoon diplomacy' far outweighed that of those against.

Sub-section IIId. examined the decision-making machinery established in New Zealand to formulate policies with respect to the introduction and implementation of the EEZ, and with respect to the broader question of linkage diplomacy. The Ministries of Agriculture and Fisheries and of Foreign Affairs were primarily responsible for the former task; although a number of other Government Departments (including the Prime Minister's Department, Trade and Industry, Defence, and Treasury) also made policy inputs. The fishing industry was consulted from time to time, and was able to propose some policy recommendations. By contrast, the formulation of policies involving the broader application of New Zealand's leverage over foreign fishing access was made at the highest

levels of Government. It was noted how the Prime Minister played a leading role in this process. However, other senior Government officials - including members of the Cabinet Economic Committee and some senior bureaucrats - also helped in refining the diplomatic approach to Japan.

Section II concluded by listing the various policy choices made by Wellington concerning the establishment and use of a 200-mile EEZ. At the end of September, 1977, two pieces of legislation - the Territorial Sea and Exclusive Economic Zone Bill and the Exclusive Economic Zone (Interim Measures for Foreign Fishing Craft) Regulations 1977 - were passed into law. The first of these provided, among other things, for: the establishment of a 12-mile territorial and of a 200-mile EEZ; New Zealand's right to set the total allowable catch, the portion available to local fishermen, and the surplus fish available for foreign fishermen; the licensing of foreign fishing craft, and New Zealand's right to attach conditions to these licences; and so on. The Interim Measures prohibited foreign fishing in certain areas of the zone.

The territorial sea was to be established, and the Interim Measures were to come into force, on 1 October, 1977. The EEZ itself was to be fully established on 1 April, 1978. All foreign fishing states wanting to fish inside New Zealand's zone would first have to negotiate access agreements with Wellington.

New Zealand's fishing industry was given substantial protection from foreign fishing competition by these measures. It was less certain, however, that some of the other concessions sought by the fishermen from the DWFS would be achieved. This was especially so with respect to the marketing of New Zealand's fish overseas.

The Minister of Fisheries had revealed that fish market access would be *but one* of the questions raised in the forthcoming negotiations with Japan. The New Zealand Government had, by mid-1977, decided that before Japan could negotiate a fisheries access agreement it would first have to give ground on agricultural trade issues.

In July 1977, Wellington handed over to Tokyo a statement summarising what New Zealand was seeking by way of improved access for certain key items - which included dairy products, beef and timber. In other words, the New Zealand Government had adopted a trade-off strategy, where its leverage over foreign fishing access would be used to promote broader economic objectives as well as promoting the interests of the local fishing industry.

The final section of the case study - Section III - focussed on the implementation stage of the policy process following New Zealand's decision to establish a 200-mile EEZ and to enter into fisheries negotiations with the foreign fishermen.

Sub-section IIIa. examined the past record of bilateral negotiations between New Zealand and Japan in order to determine how these previous exchanges had influenced the perceptions and tactics of each party in the present round of negotiations. The Japanese had, over the years, revealed themselves to be tough and experienced bargainers - both with respect to fisheries negotiations and in the wider economic arena. New Zealand had, in the past (back in the mid-1960s), demonstrated that it had the political will to take strong action concerning foreign fishing access. It appears that, by late 1977, both New Zealand and Japan had somewhat false impressions of its own, and/or of the other's, bargaining leverage with respect to fisheries and broader trade matters. Some New Zealanders seemed to believe that their EEZ was much richer in fish resources (and was thus more attractive to the DWFS) than was actually the case. Again there was a belief in some quarters in New Zealand that consumer unrest in Japan had reached the point where the Japanese Government might be forced to give way on the agricultural import question. The Japanese, for their part, seemed to have misjudged Muldoon - believing that the Prime Minister was bluffing when he threatened to exclude Japanese fishermen from New Zealand's EEZ if Tokyo refused to open up further the Japanese market to farm imports.

The next sub-section (IIIb.) traced the course of the fisheries, and related, negotiations between New Zealand and Japan from October 1977 to September 1978. Despite a number of high level contacts between both sides - including Talboys' visit to Tokyo in October 1977 and Suzuki's visit to Wellington in February 1978 - no major breakthrough was made on the agricultural trade problems. On 31 March, 1978, Wellington carried out its threat and ordered all Japanese fishing vessels out of the New Zealand zone.

Muldoon appears to have adopted a slightly more conciliatory approach towards Japan in April/May 1978. Following a meeting with Suzuki at the end of May in Melbourne, Muldoon claimed that Japan had made concessions in three of the four outstanding trade problem areas. This 'major breakthrough' opened the way for a more serious and formal round of negotiations. At the end of June the Japanese Minister of Agriculture, Forestry and Fisheries (Nakagawa) visited New Zealand, and

after two days of negotiations an agreement on trade was reached between the two sides. The fisheries negotiations began some three weeks later, and the Agreement on Fisheries Between the Government of Japan and the Government of New Zealand was finally signed in the New Zealand capital on 1 September, 1978.

The analysis then turned to a consideration of how those different actors in New Zealand identified in Section I affected the course of the negotiations. The central role played by Muldoon in the negotiations and his strong championship of the linkage diplomacy was emphasised. It was noted how the attitudes of those other actors having an interest in the New Zealand-Japan relationship had not changed appreciably from the period preceding the present round of negotiations. For example, the local fishermen generally opposed the trade-off strategy towards Japan, although some were prepared to give qualified support to the 'Muldoon diplomacy'; and New Zealand's farming sector, it seems, continued to favour the diplomatic initiative. Attention was drawn to the way in which a delegation from the Japan/New Zealand Businessmen's Association, sometime in early 1978, warned the Prime Minister of the dangers attached to his diplomatic offensive against Japan.

The final sub-section examined the outcome of the New Zealand-Japan fisheries, and related, negotiations of 1977-78.

Under the terms of the Fisheries Agreement of 1 September, 1978, the Japanese were permitted to fish within New Zealand's EEZ for parts of the total allowable catch surplus to the local fishing industry's harvesting capacity. The Japanese, on their part, recognised that the New Zealand Government exercised certain sovereign rights, including that of being able to determine the annual fish quotas available to fishing vessels of Japan. Tokyo also agreed to take measures to ensure that Japanese fishing vessels refrained from fishing inside the zone unless licensed to do so, and to ensure that all fishing vessels of Japan licensed to fish in the zone should comply with the relevant laws and regulations of New Zealand. Tokyo further agreed to cooperate with New Zealand in the area of scientific research, and gave somewhat vaguer assurances to cooperate in other areas such as: improved market access for fish, exchange of technical information and personnel, and so on. Immediately the Agreement was signed, the Japanese fishermen were allocated a fish quota for 1978-79 of 65,000 tonnes of fin fish, 33,000 tonnes of squid, and an unspecified amount of Southern bluefin tuna - for which they were expected to pay

\$5.6 million in licence fees.

One of the most distinctive features of the Fisheries Agreement (particularly in the context of this thesis) was Article X, paragraph 3. It was there that the Japanese recognised the New Zealand's Government's right, when allocating fishing quotas to foreign fishermen, to 'take into account all relevant factors' including 'New Zealand interests'. Tokyo had, therefore, been forced to admit the linkage between fisheries access and broader economic issues.

But Article X of the Fisheries Agreement did not represent the full range of success for New Zealand's exercise in linkage diplomacy. The agreement reached at the end of the so-called Muldoon/Nakagawa talks of June, 1978 - from what we know about it, for the terms of the agreement were supposed to be secret - also registered some slight victory for the trade-off strategy. While the Japanese failed to make the full range of concessions sought by New Zealand in four specific trade areas, they *did* make some small concessions.

Finally, it can be argued that the narrow sectoral interests of the New Zealand fishing industry would have been best promoted had Muldoon rejected the linkage concept. It is possible that if the Prime Minister had used New Zealand's bargaining leverage over foreign fishing access to promote 'fish-for-fish' deals, the Japanese might have been more generous, for example, with respect to market access for New Zealand's fish exports. It was concluded, however, that the local fishing industry had not necessarily suffered any lasting damage from the linkage diplomacy.



#### PART IV: THE AUSTRALIAN CASE STUDY

The Australian case study follows the same format as that presented in the New Zealand study. Again, the analytical framework outlined in Part I will be used to examine how the logic inherent in bilateral economic interdependent relationships influences States in their decision to adopt or reject linkage strategies when negotiating with other countries. As in the New Zealand case study, it will be determined whether Australia - another coastal fishing state - decided to use its bargaining leverage over foreign fishing access to extract concessions unrelated to fisheries in its fisheries, and other, negotiations with Japan. Particular emphasis will be given to the degree to which Australia's decisions concerning trade-offs in this area were influenced by the *complexity* of its economic relations with Japan rather than by the more specific sensitivity/vulnerability dimensions of the bilateral relationship. The case study will also assess what Canberra finally gained in the way of concessions from its negotiations with Tokyo - whether in fisheries or in other issue areas.

At the outset it should be emphasised that the Australia-Japan fisheries negotiations differed from the New Zealand-Japan fisheries negotiations in one important respect. In the case of the latter, the negotiations were very much a 'high profile' exercise for the New Zealand Government. It was a vital element of Wellington's negotiating strategy to give full publicity to its policy of linking the fisheries access issue with that of agricultural commodities' access into Japan. Australia's negotiations with Japan were, by contrast, a 'low profile' exercise. The reasons for this are explained more fully in the following pages. It is sufficient here to note briefly that not only did the Australian Government make less specific linkages between fisheries access and other issues, but even where such linkages *did* exist in the negotiations (as indeed they did) the Fraser Government was anxious not to be identified publicly with a bargaining strategy that might be labelled as a form of 'resources diplomacy'.

This point has been raised now to explain why some of the discussions in Australia covering important aspects of fisheries access, and related, policies were - in contrast generally with New Zealand - conducted in strictest confidence by the politicians and bureaucrats concerned, and have not been reported publicly. The relatively closed nature of the debates, together with the fact that Australia's governmental system - particularly with respect to the release of

documents and other information to the public - is traditionally not as open as some others<sup>1</sup>, has made the task of the present writer a challenging one.

These difficulties notwithstanding, it *has* proved possible to present what is believed to be a reasonably accurate account of even the more politically sensitive areas of the Australia-Japan fisheries access negotiations and of the associated decision-making process in Australia. First, some of the details relating to Australia's attempts at linking fisheries access with other issue areas were leaked to the press. Second, the accuracy of these reports was checked by the author in the course of numerous interviews both in Japan and Australia with officials involved either directly or indirectly in the negotiations. For obvious reasons these officials cannot be quoted here either by name or, in most cases, even by government department. However, the information obtained from these interviews has been used extensively in the following analysis. Third, there is a wide range of circumstantial evidence which has been used to support the conclusions presented in this study.

Following the New Zealand example, this case study is divided into three major sections; the first identifies the issues and actors significantly involved in the Australia-Japan relationship; the second considers the formulation of policies in Australia with respect to foreign fishing access; and the third examines the way in which these policies were implemented including most importantly, the Australia-Japan fisheries negotiations of 1978-79. The case study ends with a very short concluding section.

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1. In the author's experience, Australia's governmental system is certainly less open than New Zealand's, and perhaps less open than Japan's.

## I. ISSUES AND ACTORS

It will be recalled both from the analytical framework and from the New Zealand case study that this section considers the issues and actors significantly involved in the Australia-Japan relationship under three categories; the primary issue area; the secondary issue area; and other issue areas. In addition to identifying these issues and actors, Section I assesses the relative levels of dependence or dominance enjoyed by Australia over Japan in each issue area and in the overall bilateral relationship.

### Ia. Primary Issue Area

As in the New Zealand case study, the primary issue area is given - namely fisheries. It was noted in the analytical framework that a coastal state's net bargaining leverage over DWFS in this area is the product of several factors, including: the quantity and quality of the fish resources located in its offshore waters; other special properties of the offshore zone of potential attraction to DWFS such as its geographic location and the seasonality of peak fishing operations; and the degree to which the coastal state depends upon assistance from DWFS for the development of its own domestic fishing industry. These, and other, factors will be examined in the following paragraphs.

It was noted in the New Zealand study that - at least with respect to fish - the value of a coastal state's offshore zone is not necessarily related to its size. This observation applies equally in the case of Australia.

With a coastline some 20,000 kilometres long and with numerous offlying islands, Australia has one of the largest 200-mile zones in the world - some 7.7 million square kilometres, approximately the same as Australia's land surface area. In common with New Zealand, however, much of this area (more than two-thirds) comprises deep ocean waters beyond the continental shelf.<sup>1</sup> The only extensive areas of continental shelf lie off the northwest and northern parts of the island continent, between Northwest Cape and the Torres Strait. (See Figure 4.) Again like New Zealand, Australia has none of the major

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1. Radway-Allen, ex-chief of the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) Division of Fisheries and Oceanography, estimated in 1977 that only some 30 per cent of Australia's 200-mile zone would be within the 200-metre isobath. See K. Radway-Allen 'Extended Fishing Zone Calls for Major Increase in Research Efforts and Budget' *Australian Fisheries*, (a monthly journal published by the Fisheries Division, Department of Primary Industry - DPI - Canberra),

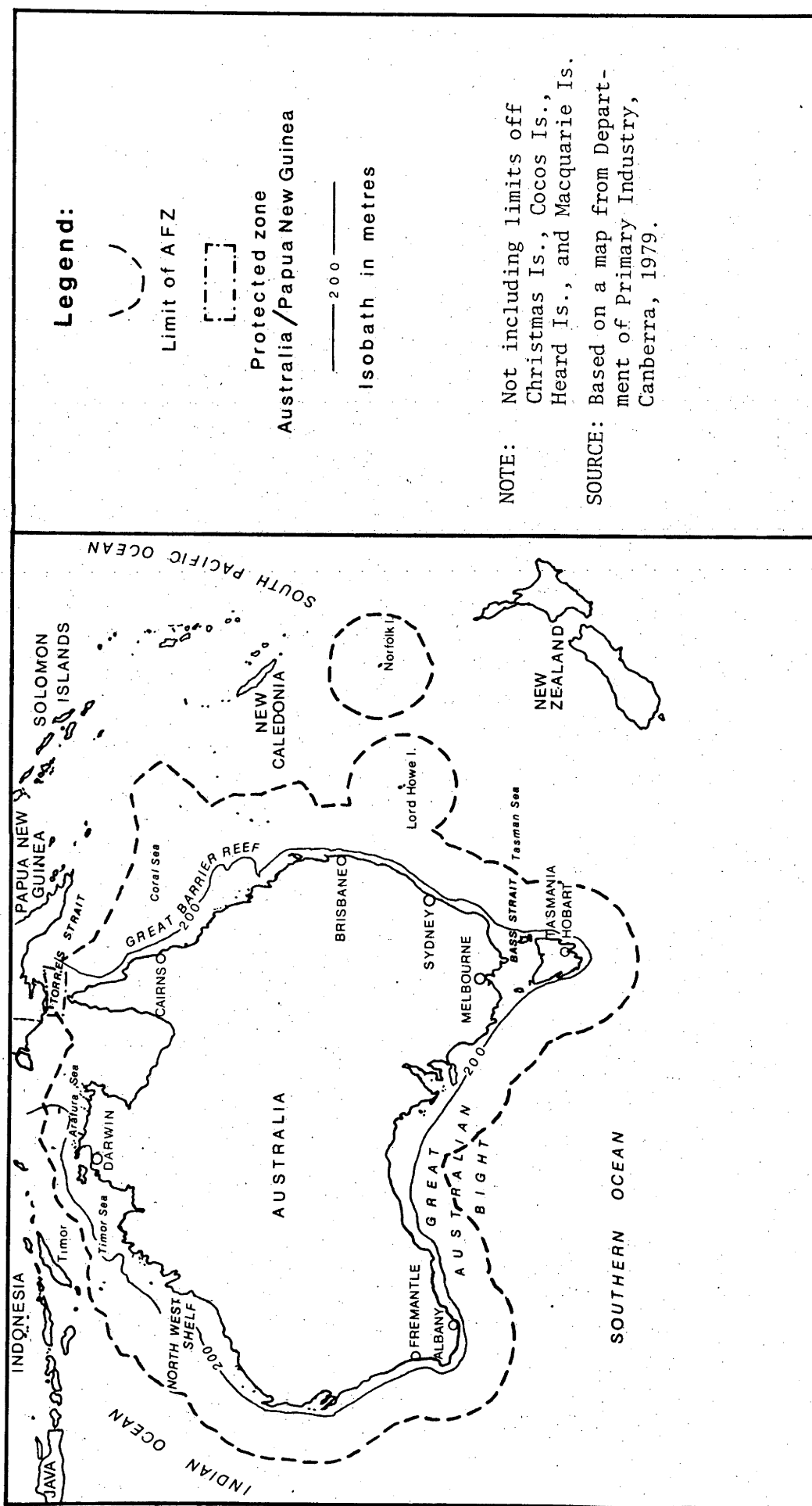


Fig.4 THE AUSTRALIAN FISHING ZONE

currents or upswells<sup>1</sup>. which are important sources of nutrients in other, more fortunate, parts of the world; nor does this dry continent have the rivers that provide ideal grounds for salmon and other fish.

This combination of factors suggests that Australia's fish resources are likely to be relatively modest. Indeed, the conclusions of the Working Group of the Australian Fisheries Council (which presented an authoritative report on Australia's fisheries in November 1977) were that 'the resource base of fish around Australia is not spectacular by world standards.'<sup>2</sup> The Report went on to add that even Australia's shelf areas are not particularly productive. Similarly cautious statements have been made by other authoritative sources.<sup>3</sup>

But it should be noted that estimates of Australia's fish resources are likely to be hazardous, to say the least. Radway-Allen goes so far as to say that

'At present we probably do not have a single satisfactory assessment of the optimum yield of any fish ... resource in Australian waters. At best, we know from experience that certain levels of yield can be taken from some stocks on a continuing basis without adverse effects. The nearest we can come to a real estimate of yield is probably for the Southern Bluefin tuna.'<sup>4</sup>

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Vol.36, No.12, December, 1977, p.4.

1. Although a weak upswelling of waters does occur in the Northwest Shelf area. The West Australia Department of Fisheries and Wildlife is reported as saying that the nutrients provided by this upswelling are capable of supporting 'quite an active fishery'. See 'The Sea Around Us' *Ecos*, August, 1976, p.p.3-9.

2. *The 200-Mile Australian Fishing Zone*, a report of the Working Group established by the Australian Fisheries Council, Canberra, November, 1977, p.19; henceforth referred to as the *Working Group Report*. A more detailed description of the origins and work of this group appears later.

3. See, for example, T. Curtin (of the Fisheries Division, DPI) *The Australian 200-Mile Zone - Fisheries Aspects*, a paper given to the Australian Institute of International Affairs, NSW Branch, Sydney, 1 September, 1979; and the statement by Peter Nixon (Federal Minister for Primary Industry) when addressing the ninth meeting of the Australian Fisheries Council, 2 November, 1979.

4. K. Radway-Allen *op.cit.*, p.3. Presumably Radway-Allen was not here including estimates of rock lobsters and prawns, where the data base is much better given the fact that a majority of Australia's one hundred or so fisheries research scientists are working on these valuable inshore species.

The *Working Group Report* makes a similar warning when introducing its estimates of Australia's fish resource base

'It must be emphasised that the data on which resource estimates have been based are limited, and in many instances insufficient to enable industry to make sound business decisions in relation to the expenditure of large sums of money on exploitation.'<sup>1</sup>.

Following these words of caution, the Report provides a very useful summary of Australia's fisheries potential - particularly with respect to those species 'thought to offer significant opportunities and/or interactions with other countries.' The following paragraphs which examine Australia's fish resource base will draw heavily - but not exclusively - from the Report's estimates. As in the Report, the present assessment does not include those marine resources - such as the important rock lobster and prawn fisheries - which are unlikely to involve DWFS participation. The resources will be considered under three categories; demersal trawl resources, pelagic, and others.

In common with New Zealand, and in fact with most other coastal fishing states, it is the demersal fish stocks which are among the most developed of Australia's fin fisheries. Fleets of trawlers based on the east and southern coasts of Australia - close to the major centres of population - provide some of the most desirable table fish, including flathead and morwong. While it appears that these resources are not being fully utilised at present,<sup>2</sup> it is very doubtful that there will be room for foreign participation in these fisheries. The same situation seems to apply in the case of demersal resources along the south coast of Australia. These stocks are not heavily utilised at present, but it is in this region that the domestic fishing industry is expanding rapidly.<sup>3</sup> This suggests that opportunities for DWFS fishing are limited.

1. *Op.cit.*, p.19.

2. See, for example, 'NSW Meeting Development Challenge' *Professional Fisherman*, August, 1979.

3. The expansion of trawl fishing off the south coast of Australia has been marked in recent years by the development of new fisheries such as blue grenadier. See 'Big Catches of Blue Grenadier Cause Excitement in South Australia' *Australian Fisheries*, March, 1979, p.24.

The *Working Group Report* notes that it is the Northwest Shelf of Australia around to the northern tip of Cape York that presents the most interesting possibilities both for Australian and foreign fishermen. A Taiwanese fisheries scientist - Hsi-Chiang Liu - has estimated the total demersal stock of this region to be capable of sustaining an annual harvest of about one million tonnes.<sup>1</sup> Australian scientists cannot agree upon an annual sustainable yield for this fishery,<sup>2</sup> but they generally believe that it is less than that suggested by Liu. It is difficult to determine how attractive this fishery might be to Australian fishermen. Liu's research revealed that the species of the area are very diverse, with none really dominant. It would appear, therefore, that many of the fish taken in the area can only be sold in rather specialised markets such as Taiwan.

The waters off Australia contain a number of pelagic fish species, including: Southern bluefin tuna, Northern bluefin tuna, skipjack tuna, Yellowfin tuna, and jack mackerel. The important Southern bluefin tuna stocks attract the attention of both Australian and Japanese fishermen.<sup>3</sup> The main Australian fisheries occur off South Australia and New South Wales, where pole and live bait (and some purse-seine) vessels catch mainly pre-adult fish which occur over the continental shelf. (See Figure 5.) The average annual Australian catch is some 10,000 tonnes

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1. See H.C. Liu 'The Demersal Fish Stocks of the Waters of North and Northwest Australia' *Acta Oceanographica Taiwanica Scientifica*, Science Reports of National Taiwan University, No.6, December 1976, p.p.128-134, where he estimated annual sustainable yields from these stocks could be slightly in excess of one million tonnes. He subsequently revised this figure downwards to 750,000 tonnes per year - reported in 'New Estimate for Northwest of Australia Fish Yield - 750,000 Tonnes' *Australian Fisheries*, January, 1979, p.11.

2. Garth Murphy (a fisheries scientist with the CSIRO) noted in 1976 that 'along the west coast of Australia there appears to be a resource capable of yielding between 500,000 and 1 million tonnes of high value demersal fish per year ... This is surely one of the great resources for the future of Australian fisheries', Garth I. Murphy *A Biological View of the Future of Marine Food Resource*, a paper delivered to the 47th ANZAAS Conference, May, 1976. Radway-Allen believes a sustainable yield of 120,000 tonnes 'to be the maximum which should be acceptable at present', for this fishery, *op.cit.*, p.p.7-9. Keith T. Sainsbury of CSIRO asserts that this demersal resource 'is large, although smaller than was previously thought and apparently fully utilised by the existing operations' [some 80,000 tonnes a year caught by the Taiwanese]. Keith T. Sainsbury 'CSIRO Defining Fish Stocks on NW Shelf' *Australian Fisheries*, March, 1979, p.p.4-12.

3. For more detailed information on this fishery see the *Working Group Report*, p.p.25-26; and also G.I. Murphy 'Southern Bluefin Tuna' *Fishery Situation Report 1*, South Eastern Fisheries Committee, 1979.

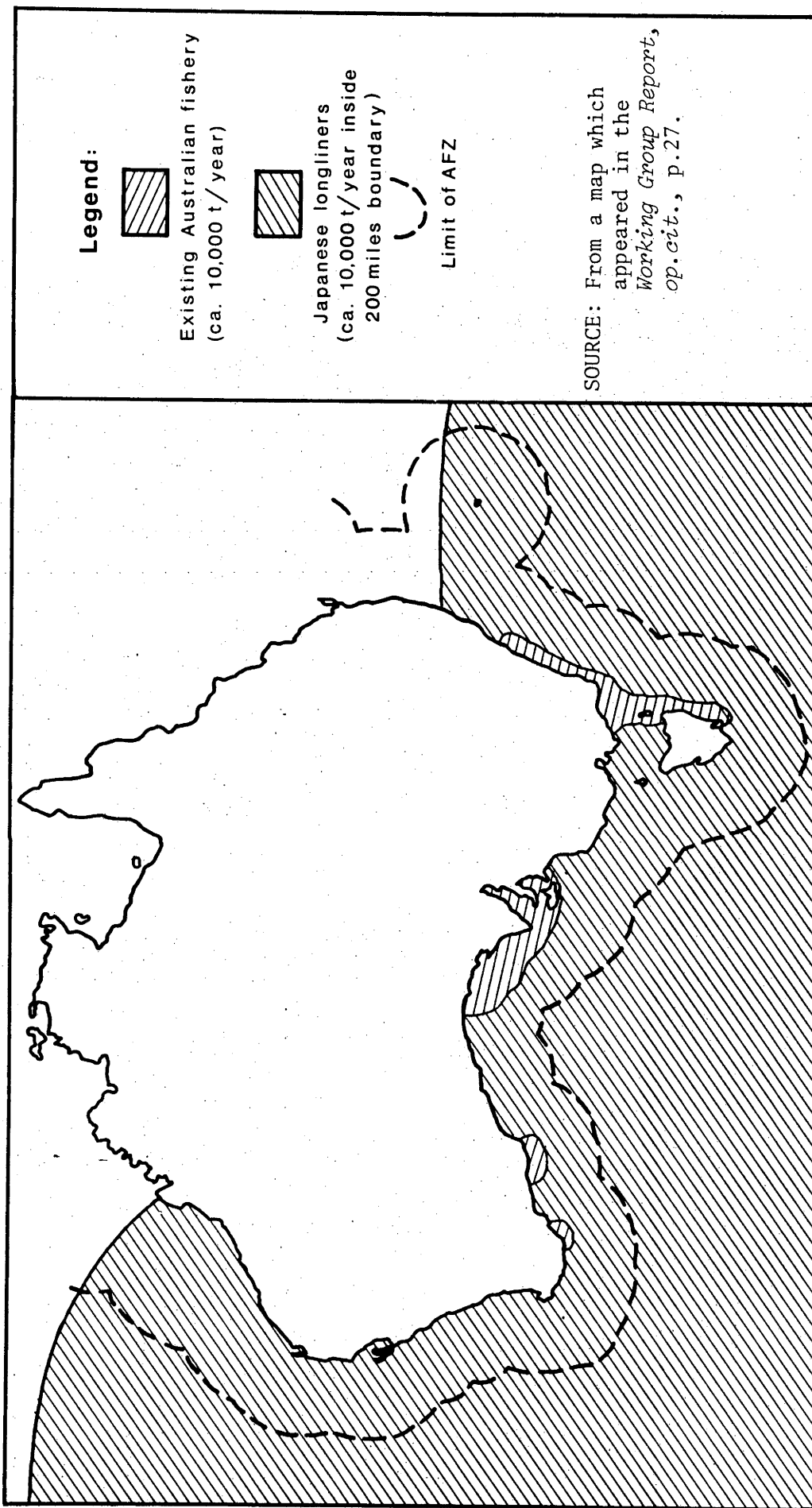


Fig.5 SOUTHERN BLUEFIN TUNA FISHING OFF AUSTRALIA



a year. As will be discussed more fully later, Japanese longliners focus on the adult fish in the Southern Ocean between latitudes 30°S and 50°S and in the Tasman Sea. The Japanese take about 10,000 tonnes of Southern bluefin tuna a year from waters within 200 miles of Australia's shores, and some 50,000 to 60,000 tonnes per year in a somewhat broader area centred on Australia. Murphy claims

'All evidence points to the fact that the stock is fully exploited. Any increase in catch by Australian fishermen would reduce the Japanese catch. Any significant increase in the Japanese catches might reduce the Australian catch, especially if they fish in zones in which small fish are available.'<sup>1</sup>.

The Northern bluefin tuna is an inshore species located mostly over the continental shelf to the north of Australia. While knowledge of this species is limited, it is believed that the annual potential is unlikely to exceed 5,000 tonnes. The *Working Group Report* doubts whether other nationals will display interest in fishing for this resource.

Skipjack tuna occur along the coasts of Australia, and are taken in small quantities (at most about 2,000 tonnes a year) by Australian pole and line fishermen. It has been estimated that the skipjack tuna represents the best opportunity for expansion of the tuna fishery with possible annual catches of between 25,000 to 50,000 tonnes.<sup>2</sup>. The *Working Group Report* questions whether there will be room for foreign participation in this fishery except in association with Australian interests.

The jack mackerel resource is found in the more temperate waters off Australia. The *Working Group Report* claims that jack mackerel 'remains one of the outstanding unutilised species in our waters'. Conservative estimates of the annual potential yield is some 50,000 tonnes. It is believed that the Australian industry will need some assistance from foreign fishermen to develop this resource.

There are other living marine resources in Australian waters

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1. Garth I. Murphy, *ibid.*, p.5.

2. *Working Group Report*, p.28. See also R.E. Kearney and R.D. Gillet 'Interim Report of the Activities of the Skipjack Survey and Assessment Programme in the Waters of Australia 1 April - 13 May 1979' *Skipjack Survey and Assessment Programme Preliminary Report No.17*, South Pacific Commission, Noumea, 1979.

which could attract increasing attention from DWFS. In 1977 the *Working Group Report* assessed that while squid resources were widely distributed off Australia they did not appear to be in sufficiently large concentrations to permit commercial exploitation. However, a number of feasibility fishing ventures since then have revealed that Australia's squid resources might support important new fisheries in West Australia and in southeastern waters.<sup>1</sup> Again, it seems likely that the Australian industry will need some help from DWFS to develop this resource.

Other Australian fish resources of present, or potential, interest to foreign fishing fleets include: lantern fish and light fish (which the *Working Group Report* believes to be very abundant off southeast Australia,<sup>2</sup> and which are being advanced as one of the significant resources within the Australian Fishing Zone); octopus; and sharks.

Even allowing for the imperfect knowledge of Australia's fish resource potential, it is evident that this country does not rank among the world's great fisheries. At most, Australia's annual fish harvest will amount to a few hundred thousand tonnes a year - modest, perhaps, even when compared with New Zealand. Further, as will be discussed in greater detail later, there is great uncertainty surrounding the capability and/or interest of the Australian industry in developing these resources. The answers to these questions will determine, in large part, the amount of fish in Australian waters available to foreign fishermen.

In addition to the fish resources themselves, there exist other special qualities attached to Australia's zone of interest to DWFS. In common with New Zealand, the peak catching season for some of Australia's fisheries - including tuna and squid - coincides with the offpeak season for many of the northern hemisphere fisheries. The DWFS fishermen are, therefore, attracted to these southern waters to maintain fishing activity through otherwise 'slack' periods; thereby increasing the economic efficiency of their year-round operations.

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1. See, for example, '22M. Squid Catch?' *Professional Fisherman*, October, 1979; 'Promising Start for Squid Feasibility Ventures' *Australian Fisheries*, April, 1979, p.2; and 'Squid Feasibility Fishing Begins in WA' *Australian Fisheries*, October, 1979, p.14.

2. *Op.cit.*, p.45.

It can be argued that the greatest single attraction of Australia to foreign fishermen is its geographic location. For the Taiwanese, the voyage to northern Australia is not a very long one. This is a particularly important consideration in an era of rising fuel costs.

Australia's geographic position is also of great significance to the Japanese longliners fishing for Southern bluefin tuna. The economics of their operations in the Southern Ocean and Tasman Sea vitally depend on access to Australian ports. As Sinclair (Minister for Primary Industry) noted in 1976 when referring to the activities of these longliners

'Their objective in coming to Australia is to stay on the grounds longer, to obtain fuel, bait and supplies and to overcome some of their labour problems.'<sup>1</sup>.

One of the important concessions by Australia to the Japanese longliners in the Australia-Japan Fisheries Agreement of 27 November 1968, was the granting of access for these vessels to the ports of Brisbane, Fremantle, Hobart and Sydney.<sup>2</sup> This was a special concession to the Japanese, for Australia has otherwise maintained a policy of excluding foreign fishing vessels from its ports, except where the vessel is allowed under a joint venture agreement or in an emergency. While this concession was initially granted for only a seven-year period, since 1975 port access has been renewed annually.

There is no question that the Japanese value very highly their access to Australian ports. Over the eight-year period 1968-76, an average of 762 port calls were made annually by the longliners.<sup>3</sup> The Japanese economist Hemmi has noted how ideally located are Hobart and Fremantle for present Japanese Southern bluefin tuna fishing operations in the Southern Oceans<sup>4</sup> and for likely future krill fishing activity in Antarctica. There are few suitable alternative ports for the longliners operating in high latitudes to the south of the Indian Ocean and south of Australia. Ports in New Zealand, the Pacific Island

1. Ian Sinclair, Question without Notice, House of Representatives, *Hansard*, 16 November, 1976, p.2682.

2. See Article VI *Agreement Between the Commonwealth of Australia and Japan on Fisheries*, Canberra, 27 November, 1968.

3. Ian Sinclair *op.cit.*, p.2682.

4. Kenzo Hemmi *Japan-Australia Relations in Fisheries*, paper presented to the Australia-Japan Economic Relations Research Project, the Australian National University, Canberra, 21 March 1980.

States, and Singapore are many days steaming time from some of the important Southern bluefin tuna grounds.<sup>1</sup> Throughout this case study the importance of port access to the Japanese will be demonstrated.

There is, of course, a more direct method of assessing the degree to which DWFS are attracted to a coastal state's fishing zone - namely, by examining the number of foreign fishing vessels which have, in recent years, been operating in the waters concerned. A brief history of foreign fishing activity in the waters off Australia follows.

For the most part, the Australian fisherman has been able to operate free from the pressure of foreign fishing competition. Until recently, Australian waters have (with occasional exceptions) attracted fishermen from only three countries - Indonesia, Taiwan and Japan.

One may almost discount the Indonesian fishing presence. These fishermen use relatively primitive craft, and operate around Australian-owned reefs and offshore islands in the Indian Ocean. In 1975 it was estimated that the maximum number of such vessels operating at any one time was 36.<sup>2</sup> These fishermen pose more of a problem for the Australian quarantine and immigration authorities than for the local fishing industry.

Taiwanese trawlers and gill netters first began fishing in north and northwestern Australian waters in 1971. The *Working Group Report* noted that in 1976 about 300 individual Taiwanese vessels were operating in the area, taking a total catch of some 75,000 tonnes. The Taiwanese have also been operating in the Torres Strait and Great Barrier Reef area - mainly for clams, turtles and reef fish.

As noted above, the Japanese tuna longliners have been fishing in the waters off Australia for some years. In 1968, Australia concluded a Fisheries Agreement with Japan to regulate the operations of these craft, and offered the longliners port access in exchange for fisheries assistance to the local industry. (In that year, Australia also extended its exclusive fishing limits to 12 nautical miles, in part as a response to the presence of the Soviet exploratory fishing trawler, Van Gogh, in the Gulf of Carpentaria.) The *Working*

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1. For detailed statistical evidence demonstrating the importance of the Australian region for Japanese Southern bluefin tuna operations, see the charts giving seasonal hooking rates in the *Annual Report of Effort and Catch Statistics by Area of the Japanese Tuna Longline Fishing 1978*, Research Department of Fisheries Agency of Japan, Tokyo, March, 1980, p.p.216-220.

2. See 'Surveillance off WA Stepped Up' *Australian Fisheries*, July, 1976, p.323.

*Group Report* estimates that the Japanese longline fleet numbers about 350 vessels, catching about 10,000 tonnes of Southern bluefin tuna within 200-miles of Australian shores each year. Occasionally these longliners also catch Yellowfin tuna and related species such as marlin and sail-fish off Queensland. It has been calculated that each vessel catches an average of 157 tonnes of tuna, much of which sells for about \$2,000 a tonne on the Japanese *sashimi* market. The total annual tuna catch taken by the Japanese in the Australian region of some 50,000 tonnes has been estimated to be worth \$150 million.<sup>1</sup>

If one measures the attraction of a coastal state to DWFS merely in terms of the number of foreign fishing vessels operating in its offshore waters, then Australia ranks somewhat ahead of New Zealand. In 1976 - the eve of the era of 200-mile zones - it was estimated from sighting reports and other information that a total of about 550 large foreign fishing vessels fished commercially round Australia.<sup>2</sup> Moreover, it seems reasonable to assume that if Australia had had (like New Zealand) a more open port access policy, many more foreign fishing vessels would have been active in these waters.<sup>3</sup>

As noted both in Part II and in the New Zealand case study, the establishment of 200-mile zones in the northern hemisphere has forced DWFS to seek work for their surplus fishing units in the Southern hemisphere. Australia has felt the impact of this development. In September, 1979, Curtin noted that 'over 40 applications have been received from various foreign interests in about 10 countries, proposing to fish in the AFZ'.<sup>4</sup> It will be noted later how the Australian Government has adopted a policy of encouraging foreign fishing vessels to engage in feasibility fishing operations in cooperation with Australian enterprises. In May 1980 it was claimed that over the previous year 94 different foreign vessels - most of which were Japanese and Taiwanese squid jigging craft - had been licensed for feasibility fishing.<sup>5</sup>

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1. See 'Foreign Fishing Vessel Sightings off Australia' *Australian Fisheries*, January, 1977, p.22. All values in this case study are expressed in terms of dollars Australian.

2. *Ibid.* p.22.

3. Purnell-Webb (head of Fisheries Division, DPI) has noted that 'so long as foreign fishing vessels were denied use of our ports, it was uneconomic for them to fish in the vicinity of our coasts.' See E.A. Purnell-Webb 'The 200-Mile AFZ - A Government View' *Australian Fisheries*, September, 1979, p.4.

4. *Op.cit.*, p.3.

5. 'Feasibility Fishing Projects Winding Down' *Australian Fisheries*, May, 1980, p.p.4-5.

In summary, therefore, Australia is not without *some* bargaining leverage, at least, with respect to its extended fishing zone. While its fish resources do not appear to be large compared with some countries, it does have a quantity of fish - including some valuable species such as Southern bluefin tuna and squid - which are surplus to the local industry's present catching capacity. Further, its geographic location and long coastline provides many potentially useful bases for Japanese and other foreign fishermen operating in the Arafura, Coral and Tasman Seas, and in the Indian and Southern Oceans.

It has been noted in the New Zealand case study, however, that bargaining leverage in the primary issue area might not be the complete monopoly of the coastal state. It was there demonstrated how the New Zealand fishermen depended upon the DFWS - particularly Japan - in certain areas for the successful development of their industry, including: the provision of technical assistance, training of local fishermen, the transfer of fisheries research data, and access to DWFS markets for fish exports. These, and other areas, will be examined in the context of the Australian fishing industry in order to determine Australia's net bargaining leverage in the primary issue area.

In common with New Zealand, the Australian fishing industry is ill prepared for the era of extended fishing zones. Not only does the industry have insufficient knowledge of the resources within the zone, but it also suffers from serious weaknesses within the catching, processing and marketing sectors which make it difficult for Australian fishermen to exploit more fully the offshore fisheries without substantial assistance from the DWFS.

Typical of most coastal fishing states, the Australian fishing fleet comprises a large percentage of owner-operator craft of small size. In FY 1977-78 it was estimated that there were some 10,920 fishing vessels employed in Australia, over half of which were under 6 metres in length<sup>1</sup>. (while only 25 were over 30 metres long). The total value of these boats and their equipment was somewhat in excess of \$250 million. The industry employs about 18,000 fishermen.

Not surprisingly, most of these boats work close inshore within a relatively short distance of their home port. Few Australian

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1. All statistics in this, and the following, paragraph taken from *Fisheries 1977-78*, Australian Bureau of Statistics, Canberra, 29 March, 1979.

fishing vessels work for days at a time in deeper, offshore, waters. Very broadly, one may divide the catching sector into two categories - one which is largely geared to the harvesting of high value crustaceans (rock lobsters and prawns) and molluscs (oysters, scallops and abalone) destined for the export market, and the other which is involved in the catching of fin fish largely for the domestic market. In FY 1977-78 the Australian fishing industry landed a total of 153,893 tonnes - some 56,000 tonnes of which were fish, 63,000 tonnes were crustaceans and 35,000 tonnes were molluscs. While this catch was small by world standards, its total value was not insignificant - some \$219 million.<sup>1</sup>

Several reasons may be given to explain why Australia has not developed a larger deep-water fishing capability. Radway-Allen has noted how there has been little incentive for the vigorous development of a fishing industry in a country which has an abundant rural-based food supply, including very large stocks of good quality protein in the form of meat.<sup>2</sup> Radway-Allen also claims that Australia has failed to attract many migrants from fishing communities overseas. Further, most Australian fishermen do not possess the necessary skills to develop some of the fish resources of the AFZ. Another factor inhibiting Australian fishermen from exploiting offshore fisheries is the high capital cost of larger vessels capable of exploiting these fisheries, and the difficulty of raising the necessary finance. But probably the single most important reason for the relatively small effort in developing Australia's deeper water fisheries is the lack of information concerning the extent of these resources. As E. Adernann (Acting Minister for Primary Industry) noted in late 1978

'There are many questions which need to be answered before real progress in developing the new fishing zone can be made. What species are out there and in what quantities; what types of vessels can most efficiently catch those species; are new vessels needed; can the catch be processed, are new or expanded

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1. As noted above, in terms of value per ton Australia's fish catch outranks that of any other country. See Alan Marriot *op.cit.*, p.p.47-48.

2. See K. Radway-Allen *Fisheries Management and Research in Australia*, a paper delivered at the 47th ANZAAS Congress, May, 1976.

processing facilities needed; can the catch be marketed, will Australians eat it, can it be exported; will Australian fishermen need to learn new skills?'<sup>1</sup>.

Some of these questions concern the processing and marketing sectors of the Australian fishing industry and will be addressed in later paragraphs.

With respect to problems existing in the catching sector, many can be overcome (or reduced) by Australia seeking assistance from distant-water fishing states. It has already been noted how the Australian Government has decided that the cheapest, quickest, and most efficient method of obtaining information on many of the resources within the AFZ is from the DWFS - either by way of feasibility fishing operations or more directly in the form of 'pure' research programmes.

The value of this approach has already been demonstrated in the squid fishery. Australia had - at least until the past year or so - neither any interest nor any capability in developing this resource. Further, it will be recalled that the *Working Group Report* had assessed that 'there are no significant squid resources in the waters surrounding Australia.'<sup>2</sup> Since this Report, however, a large number of Japanese and Korean squid-jigging vessels have, in the process of feasibility fishing operations, revealed that Australia might have an important squid fishery. In addition to these feasibility fishing projects, a vessel of Japan's Marine Fishery Resource Research Centre - the Hoyo Maru No.63 - has conducted a six-month survey of squid resources in southeast Australian waters.<sup>3</sup> (The survey was part of a programme of Japanese assistance to the Australian fishing industry agreed by the Australian and Japanese governments in early 1977.)

Not all feasibility projects have been designed solely to provide information on the fish resources off Australia. Others have attempted to assess Australia's capability of adopting different fishing techniques. In late 1976, Sinclair noted that Japanese feasibility studies concerning the possibility of Australian participation in the tuna longlining industry had revealed that such particip-

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1. E. Adernam speaking to Australian Fishing Industry Council's (AFIC) annual meeting, October, 1978; quoted in 'Industry and Government Must Develop 200-Mile Zone Together' *Australian Fisheries*, December, 1978, p.p.14-15.

2. *Op.cit.* p.41.

3. See 'Japanese Boat Begins Survey of Squid Resources' *Australian Fisheries*, November 1977, p.20.



ation would not be economically viable.<sup>1.</sup>

Australia has also benefitted greatly from foreign assistance in other areas. For some years now, the Japanese have been training Australian fishermen by teaching them new fish harvesting methods. For example, in part return for renewed port access,<sup>2.</sup> the Japanese agreed in 1977 to: continue to study and develop the octopus fishery in West Australia; experiment with the mechanisation of skipjack operations off New South Wales; refine trawling techniques for southeastern fisheries; and continue to receive Australian biologists in Japanese institutions to study the breeding and propagation of prawns, oysters and abalone.<sup>3.</sup> Continued assistance of this kind from the DWFS is essential if Australian fishermen are to develop the capability of exploiting a wider range of resources in the AFZ.

Again in common with New Zealand, there are many problems in Australia's fish processing industry. There are just over 150 registered land-based processing plants, most of which are small - 80 per cent having an annual throughput of less than 1,000 tonnes.<sup>4.</sup> Fowler, the general manager of SAFCOL (South Australian Fishermen's Cooperative Ltd - Australia's largest fishing company) has commented on the problems associated with low throughputs in his company. He noted how SAFCOL's processing facilities are fully utilised only approximately three to four per cent of the time. As a consequence, it has not been possible to introduce more sophisticated mechanical processing equipment.<sup>5.</sup>

It appears that the profitability of this sector of the Australian fishing industry, no less than that of the catching sector, is dependent on the DWFS. First, the possibility of increasing throughput is closely related to the development of new fisheries based on new species; and as noted above, the DWFS have an important role to play in such development. Second, as will be detailed in the following paragraphs, the Australian market has only a limited

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1. See Sinclair's opening speech to the Seventh Meeting of the Australian Fisheries Council 29 October, 1976, quoted in *Commonwealth Record*, 4-7 November, 1976, p.1159.

2. This subject will be treated in greater detail in the next section.

3. See *Japanese Tuna Long-line Vessels to Continue Using Australian Ports* Primary Industry Press Release, 17 January, 1977.

4. Quoted in Patrick Ryan 'Economic Aspects of Managing and Developing the 200-mile Fishing Zone - A Personal View' *Australian Fisheries*, December, 1977, p.10.

5. Quoted in R.N. Fowler 'Australian Seafood Processing and Marketing' in G.W.P. George *op.cit.*, p.132. See also the findings of the *Industry*

capacity for absorbing an increased supply of new fish products. The surplus above the Australian demand will have to be exported - often to markets in the DWFS.

Ultimately, of course, the successful development of Australia's domestic fishing industry hinges upon the industry's ability to sell its products. It appears, however, that even this - the marketing - sector faces many problems.

The industry has traditionally found it difficult to sell on the domestic market. Australians are not big fish eaters, consuming only some seven kilogrammes per person a year. Moreover, they (like the New Zealanders) are reputed to be very conservative in their fish tastes, often preferring imported fish products to the local varieties. (About half of the fish consumed in Australia comes from imports.) There appears, however, to be some scope for increasing local sales through import substitution. The *Working Group Report* suggests that likely price increases for imported fish following the establishment of 200-mile zones overseas, will make some Australian fish products - particularly smoked fish and frozen finfish - competitive. The Report estimates that 'by 1982 some 42 per cent of the weight of edible fish imports could be substituted by Australian caught product'.<sup>1</sup>

Even if this import substitution target is met, Australia will find that much of the extra fish likely to be caught by local fishermen (and by joint venture operators) in the future will have to be sold in markets overseas. (This is particularly likely in the case of certain species - such as squid and octopus - for which there is very limited domestic demand.) But problems exist here, too. It was noted in the New Zealand case study the problems of fish market access in countries such as Japan. The same trade barriers exist for Australian fish exporters. Several of the marine food items that Australia currently exports (or is likely soon to export) to Japan are subject to quota restrictions - among these are Yellowtail tuna, mackerel, scallops, and squid; and/or tariff barriers - including prawns, whole cooked lobster, most species of fresh and frozen fish of the type currently exported from Australia to Japan, abalone, and

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*Assistance Commission Inquiry Re: Australian Fisheries and Fish Processing Industry*, Official Transcript of Proceedings, Melbourne, May 1976.

1. See 'Appendix 3: Potential for Import Replacement' *The Working Group Report*.

squid.<sup>1</sup> Australia's success in selling on the Japanese market is likely to be related to Japan's willingness to remove these trade impediments.

In summary, therefore, it appears that Australia's bargaining leverage in the primary issue area is offset to some degree at least by Australia's dependence on the DWFS - especially Japan - in the research, catching, processing and marketing sectors of the fishing industry. Even with respect to port access, the leverage is not completely a one-way affair. Some Australians are as eager to have the Japanese (or any other) fishermen visit their ports, as are the foreign fishermen themselves. For a relatively small city like Hobart, the arrival of several hundred foreign vessels and their crews each year makes a substantial contribution to the local economy.

It remains to identify the actors in Australia either involved, or having an interest in the primary issue area. In the private sector the fishermen themselves, the processors, and those engaged in marketing the fish, are most directly involved. There are also those employed in boat-building and repair, in ports and harbours, transport, retail shops, and restaurants who have varying degrees of involvement in the industry. Collectively, they do not add up to a very large number of people - the fishermen themselves are estimated to be only 0.4 per cent of the total Australian work force.<sup>2</sup>

In Government those with direct responsibility for fisheries are the Fisheries Divisions (Commonwealth and State) and their respective Ministers. There are also other government departments in Australia charged with responsibility for one, or more, specific aspects of Australia's fishing industry and/or Australia's maritime jurisdiction, for example: the Department of Foreign Affairs, which is concerned with the international legal aspects of Australia's fishing zone and is involved in fisheries negotiations with foreign countries; the Attorney General's Department, which is primarily responsible for drafting fishing zone legislation; the Department of Trade and Resources, which is most directly involved in the foreign trade in fish products; the Treasury and Finance Departments, which have an interest in licence

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1. See the article by A.J. Best 'Few Restrictions for Australian Fish on Japanese Markets' *Australian Fisheries*, December 1979, p.p.46-7. It should be emphasised that the title of this article is very misleading, for the statistical evidence there presented suggests that there are *many* restrictions for Australian fish exports on Japanese markets.

2. K. Radway-Allen, December 1977 *op.cit.*, p.3.

fees and other charges made against foreign fishermen; the Department of the Prime Minister and Cabinet, which has a broad interest in most of the above issues; the Departments of Transport, Customs, Defence and Immigration; and the CSIRO.

#### Ib. Secondary Issue Area

As will be noted in greater detail in the next sub-section, Australia has a much more complex economic relationship with Japan than does New Zealand. Not only does Australia export to Japan the agricultural commodities exported by New Zealand (for example, beef, dairy products, fruit and wool) but also exports sugar, a wide range of minerals and energy resources. From time to time, serious areas of difference have arisen between Australia and Japan over trade - including those involving iron ore, coal, sugar, beef and other rural products.<sup>1</sup> By 1978, however, when Australia was about to enter into fisheries access negotiations with Japan, the bilateral trading relationship was generally free of major disputes. This said, there remained one issue area which continued to provide an irritant in the relationship - namely, that concerning access onto the Japanese market of Australian beef (and to a lesser extent, also dairy products and fruit). The following paragraphs will explain why it was *this* issue (or group of issues) which - if any - Australia was most likely to link to the question of fishing access in the Australia-Japan fisheries negotiations of 1978-79.

Over the last ten years Japan has developed into one of Australia's most important outlets for beef exports.<sup>2</sup> Anthony (Deputy Prime Minister and Minister for Trade and Resources) has noted how many sections of the Australian beef industry have come to depend on regular and stable access to the Japanese beef market, 'particularly our chilled beef sector which was developed during the early 1970s, with Japanese encouragement specifically to service Japanese require-

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1. For more on these problems in the Australian-Japan economic relationship, see Stuart Harris *Some Sensitive Areas in the Japan/Australia Resource and Trade Relationship*, a paper given at the Japanese Economic Research Centre, Tokyo, 26 March, 1976; *Australia, Japan and the Western Pacific Economic Relations; a Report to the Governments of Australia and Japan Presented by Sir John Crawford and Dr. Saburo Okita*, Australian Government Publishing Service, Canberra, 1976; and Ben Smith 'The Japanese Connection, Negotiating a Two-way Street' in Peter Hastings and Andrew Farran (eds.) *Australia's Resources Future, Threats Myths and Realities in the 1980s*, Australian Institute of International Affairs, Nelson, 1978.

2. Japan was, in 1978, Australia's second largest market for beef - behind the U.S.A.

ments for higher quality beef.'<sup>1</sup> It is the very nature of this close relationship that makes Australia's beef producers extremely vulnerable to short-term changes in Japanese import policy. Australian farmers (whether cattlemen, dairy farmers, horticulturalists, or others) face many of the uncertainties and frustrations experienced by New Zealand farmers when selling to Japan - including import quotas set by Tokyo; six-monthly, rather than longer-term, demand forecasts; and other problem areas touched upon in the New Zealand case study. Referring again to the beef trade with Japan, Anthony noted

'One of the prime objectives of my Government has ... been to place our trade on a more stable and reliable footing and to try to remove the uncertainty and unpredictability which exists in the present import arrangements.'<sup>2</sup>

Australia's impatience with Japan over the beef issue may readily be appreciated by a brief consideration of the recent history of this trade. It was noted in the New Zealand case study how Japan unilaterally closed the beef market to foreign imports in 1974. The Australian beef producers, who traditionally supplied some 80 per cent of Japan's foreign beef quota, suffered even more than their New Zealand counterparts.

Again, in late 1976, the Japanese Government announced that it would be 'severely reducing' its beef import quota for the first six months of 1977. Australia's beef producers, who were then said 'already to be in a dismal plight',<sup>3</sup> were faced with the prospect of selling less than half the beef originally forecast for that period by Japan. The Australian beef exporters turned to the Federal Government for help. The Australian Cattlemen's Council is reported to have warned that a beef quota reduction would be a disaster for Australian producers and called on the Government to begin 'a fierce policy of resources diplomacy'.<sup>4</sup>

1. J.D. Anthony's address to the Japanese Chamber of Commerce and Industry and Keidamren, Tokyo, 15 March, 1978. In FY 1977-78, no less than 80 per cent of Australia's total exports of chilled beef went to Japan.

2. *Ibid.*

3. See the article by Stephen Nisbet 'Threat on Meat Cuts: Japanese May be Denied Fishing Rights' *The Age*, 17 November, 1976.

4. See Max Hollingworth 'Retaliation Threat on Japanese Meat Cuts' *The Australian*, 17 November, 1976.

The Australian Government felt constrained to treat this issue very seriously, and quickly made it known it was prepared to take a 'hard line' against Japan. In answer to a question in the House of Representatives concerning whether there was 'any pressure that the Australian Government can bring to bear on the Japanese Government to ensure reasonable access for Australian beef producers to the Japanese market',<sup>1</sup> the Minister for Primary Industry indicated that there was. Sinclair noted

'... it so happens that the Australia-Japan Fisheries Agreement is due to be re-negotiated on 27 November next. The Japanese have been anxious that this agreement should be extended ... The circumstances of renegotiation of that agreement will very much depend on relations between our two countries and opportunities available in other areas ... it would be difficult for us not to have regard to the action taken by the Japanese with respect of beef access when we are considering any extension which might be negotiated in respect of the Australia-Japan Fisheries Agreement.'<sup>2</sup>

In summary, Canberra served notice on Tokyo that if the Japanese tuna longliners wished to have continued access to Australian ports the Japanese Government would have to make concessions on beef quotas.

The Australian Government's exercise of linkage diplomacy met with some success. On 17 November, the Japanese announced that they would reconsider the beef quota issue after the December elections in Japan. (Canberra replied to this gesture by granting a short-term - two-month - extension of the Australia-Japan Fisheries Agreement.)

It was not, however, until mid-January 1977, that this episode in the bilateral trade relationship was concluded. At the Fourth Australia-Japan Ministerial Committee Meeting in Tokyo, Japan agreed to increase its beef import quota for the six-months period ending 31 March, 1977, by a small amount. (The Japanese also agreed to provide the Australian fishing industry with technical assistance and to continue to experiment with the possibility of developing Australia's exports of Southern bluefin tuna for the Japanese *sashimi* trade.) In return, Sinclair stated that Australia would extend the port access

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1. S. Lusher, Question Without Notice, House of Representatives, *Hansard*, 16 November, 1976, p.2682.

2. Ian Sinclair, in answer to Question Without Notice, *ibid.*, p.2682.

concession to the Japanese longline fleet for another two years (as from 1 February, 1977).

The Australian media made much of the Government's so-called 'fish-for-beef' trade-off with Japan. The *Financial Review's* Simson noted how 'with full Government backing Primary Industry Minister Mr. Sinclair, ... launched Australia into the area of resources diplomacy with our largest trading partner Japan.'<sup>1</sup> At the conclusion of the January talks in Japan, Toohey claimed that 'Sinclair in the past week has restored its [resources diplomacy] place in Australia's external relations without resort to bluster or indeed, proclaiming its virtues.'<sup>2</sup> These, and other, journalists noted how the Fraser Government was prepared to engage in trade-offs, despite the fact that: one, the Government had publicly disowned resources diplomacy as something belonging to the former Whitlam era;<sup>3</sup> and, two, the Australian Government had (under the Basic Treaty of Friendship and Cooperation, commonly known as the NARA Treaty, signed in June 1976) agreed to act as a stable and reliable supplier to, and market for, Japan - and had further agreed not to adopt policies harmful to Japan.<sup>4</sup>

The question was, would Australia make the linkage between beef and fish in the future? It appears that some journalists at that time believed that the 'fish-for-beef' trade-off was a once-only affair - where it was purely fortuitous that the renegotiation of the Fisheries Agreement coincided with the Japanese beef quota cutbacks.<sup>5</sup> Other journalists believed differently. Toohey claimed that 'Sinclair realised that the fishing-beef trade-off will need to be kept up his sleeve as new negotiations come up on import quotas into Japan.'<sup>6</sup>

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1. Stuart Simson 'Trade War Threat - Sinclair: "Cut Beef ... Lose Fish"' *The Australian Financial Review*, 17 November, 1976.

2. Brian Toohey '"Resources Diplomacy" Lives On - But Without the Name' *The Australian Financial Review*, 21 January, 1977.

3. A more detailed treatment of the Fraser Government's attitude to resources diplomacy will be presented in Section II of this case study.

4. See Article V of the Treaty, where Japan gave a similar undertaking to Australia. See also T.B. Millar 'Japan and Australia: Partners in the Pacific' *Pacific Community*, Vol.8, No.1, October, 1976, p.p.28-38.

5. See the Editorial 'It Cuts Both Ways' *The Australian*, 18 November, 1976.

6. Brian Toohey, *op.cit.*

The concessions made by Japan in January 1977 with respect to beef were only minor, and went nowhere towards solving the broader historical problems existing in the beef trade. Over the next year and a half, the Australian Government continued to appeal to Japan to inject some longer-term stability and reliability into the trade. These appeals were interspersed with comments by Sinclair and others in Australia to the effect that, should Japan not make the necessary concessions, then Australia might again decide to employ the fisheries 'weapon'. The next few paragraphs trace these developments until the eve of the Australia-Japan fisheries negotiations in late 1978.

Only some three months after the January 1977 Ministerial talks in Tokyo, the Deputy Prime Minister (Anthony) was quoted as saying that the future of the bilateral relationship depended upon Japan accepting more of Australia's agricultural products.

'Our two countries have achieved a very high degree of interdependence. Naturally, the magnitude of our trade, and its potential, throws up problem areas. We are seeking greater access for those agricultural products where this is still extremely limited. Beef is clearly an issue of prominence, fruit and dairy products are others.'<sup>1</sup>

The beef issue surfaced again in September that year when, following unsuccessful talks between Australian and Japanese officials regarding the question of access for Australian beef onto the Japanese market, Prime Minister Fraser was prompted to send a strongly worded letter to Prime Minister Fukuda. In the letter, Fraser noted how disappointed he was that no progress had been made in establishing a move 'at least from the present six-monthly quotas to annual quotas'. He went on to warn that 'The beef issue is one which is infecting our trading relationship and indeed our total relationship.'<sup>2</sup>

As will be noted more fully in Section II, Sinclair was under continuous pressure from the Australian cattlemen to force concessions from the Japanese Government by linking the beef access issue with that of access to the 200-mile fishing zone - which was due to be declared in the near future. No doubt, it was in response to this lobbying that Sinclair declared in October 1977

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1. Quoted in 'Hard Line on Japan' *The Age*, 26 May, 1977.

2. Letter from Prime Minister Fraser to Prime Minister Fukuda sent in September, 1977, quoted in *Background*, No.108, Ministry of Foreign Affairs, Canberra, 30 September, 1977, p.6.



'The extension of our fishing zone to 200 miles does give Australia a very worthwhile opportunity to discuss rights and terms of entry with countries such as Japan after the conclusion of satisfactory arrangements for the import of Australian meats.'

Only two weeks later, the *Financial Review* reported that the Japanese Ministry of Agriculture and Forestry had informed Australia's Secretary of Overseas Trade to the effect that Japan would be increasing its worldwide quota of beef imports by 10,000 tonnes in the six months October 1977 to March 1978 'in expectation of fishing concessions by Australia and New Zealand.'<sup>1</sup> The cattlemen in Australia responded by saying that they were not completely happy with the quota, and called for greater use of resources diplomacy by Canberra to ensure a better deal for the beef producers.

This was the pattern right through until mid-1978: the Australian Government continued to plead with Japan for greater access to the Japanese beef market;<sup>2</sup> the cattlemen continued to put pressure on Sinclair to link the beef issue with fishing access;<sup>3</sup> and in response, the Minister continued to make statements referring to possible trade-offs involving Japanese access to Australia's impending 200-mile zone<sup>4</sup> and the beef question.

By mid/late 1978, Australia's overall beef export situation had improved considerably, with increased purchases from the United States. No longer was the Australian Government subjected to the same kind of pressures from the cattlemen to take a 'hard line' against Japan

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1. See the article 'Japan Will Increase Imports of Beef', *The Australian Financial Review*, 31 October, 1977.

2. See, for example: the speech by J.D. Anthony to the Japanese Chamber of Commerce and Industry and Keidanren, Tokyo, 15 March, 1978; the statement by Australia's Ambassador to Japan (John Menadue) where he spoke of the beef issue being a 'major irritant' in Australian-Japanese relations in Graeme Atherton's article 'The Japanese Market: New Challenge to Australia' *The Australian*, 3 March, 1978; and Fraser's attempts in April, 1978, to get Fukuda to open up the Japanese beef market, recorded in John Short 'Japanese Wary on Australian Trade Pitch' *The Australian Financial Review*, 26 June, 1978.

3. In March, 1978, the Cattlemen's Union again called upon the Government to promote 'fish-for-beef' trade-offs with Japan, see *The Australian*, 10 March, 1978. Once more, in June 1978, the National Cattlemen's Council supported the use of fishing rights in the AFZ to negotiate access to overseas beef markets.

4. On 1 March, 1978, Sinclair told the National Rural Press Club in Canberra that the AFZ 'would be one of Australia's most important trading weapons in the next few years'. Again on 28 June, 1978, Sinclair made reference to the advantages of linking fishing rights

regarding the beef quota issue. This said, Canberra was still concerned about the broader problems of access onto the Japanese market for beef (and for fruit and dairy products). In June 1978, at the Fifth Australia-Japan Ministerial Committee meeting in Canberra, the Australians reminded the Japanese Foreign Minister, Sonoda, of the importance Australia attached to the beef trade with Japan. The Japanese were asked to remove the 25 per cent tariff on imported beef; to increase their global beef quota from about 100,000 tonnes annually to 130,000 tonnes by 1980; and to agree to include agricultural products in the forthcoming round of the MTN. Sonoda was not very accommodating, and said that 'while Japan fully appreciated the points Australia had made, we have many internal problems.' He added 'of the major Australian request, for greater access for beef, it is not possible to accept all that Australia is asking.'<sup>1</sup>

In late 1978, it seemed reasonable to expect that Australia might, in its forthcoming fisheries negotiations with Japan, try to trade off fishing access in return for agricultural - particularly beef - access concessions from the Japanese. As noted above, Australia still experienced problems with respect to the beef trade with Japan; had once before linked the beef and fish issues; and the Minister for Primary Industry had frequently, since that previous exercise of linkage diplomacy, threatened to do so again.

It remains to identify those actors most closely involved in the secondary issue area in Australia. First, there were the beef producers (some 100,000 of them) and their representatives - the Australian Cattlemen's Council. Second, one might include the dairy farmers, fruit farmers and other rural producers who also experienced difficulties selling onto the Japanese market, and who probably expected to gain something from a linkage strategy against Japan. Third, there were the politicians representing the rural electorate - particularly Doug Anthony (the leader of the National Country Party, Deputy Prime Minister and Minister for Trade and Resources) and Ian Sinclair (Deputy Leader of the NCP, and Minister for Primary Industry). Fourth, there were the bureaucrats charged with major responsibility for agricultural affairs - principally those in the Department of Primary Industry, but

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to beef access - from an interview conducted between Sinclair and the Australian Broadcasting Commission's Geoff Duncan on 'A.M.', 28 June, 1978.

1. Quoted in Gay Davidson 'Japan Against Trade Bars' *The Canberra Times*, 28 June, 1978.

also including those in the Commodity Policy Division of the Department of Trade and Industry who had charge of the trade in beef and other agricultural products.

#### Ic. Other Issue Areas

This sub-section identifies those other issues in the Australia-Japan relationship - and the actors in Australia significantly involved in them - not included in the primary and secondary issue areas.

It will be readily apparent that Australia's economic relationship with Japan is very different from that of New Zealand. First, the Australia-Japan relationship is much more complex than is the New Zealand-Japan relationship. In the trade area, for example, Australia exports to Japan a far wider range of commodities - especially non-agricultural items - than does New Zealand. Second, the Australia-Japan relationship is marked by a much greater degree of complementarity<sup>1</sup> - where each, for the most part, supplies commodities not produced in the other country. Third, unlike the New Zealand-Japan relationship (where Japan is obviously very much more important to New Zealand than the reverse situation) Australia's connection with Japan more closely approximates one of mutual dependence.

The character of Australia's trade with Japan has changed greatly over the past few decades. During the 1950s, wool accounted for over half of Australia's exports to Japan. Over the next decade, however, minerals assumed a place of greater importance in the trade. Japan's increased demand for mineral-based raw materials (prompted by that country's rapid industrial development in the 1960s) was substantially met by the products of Australia's new minerals developments. By 1978, only some 35 per cent of Australia's exports to Japan were farm products (including wool and sugar), while almost 60 per cent were minerals, coal and wood.

Table 12 reveals the diversified nature of Australia's export trade with Japan as it existed in fiscal year 1977-78. In terms of value, coking coal was Australia's single most important export to Japan - accounting for more than one-quarter of the total. Next in importance was iron ore, at some 18.9 per cent. Third, was a large group of non-ferrous metals (including copper, lead, zinc, alumina, aluminium, gold, manganese, nickel and bauxite) which amounted to

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1. It was noted in the New Zealand case study that that country's exports to Japan are largely those from the agricultural sector, some of the important items of which are also produced in Japan. It is not, therefore, strictly accurate to say that New Zealand and Japan have a complementary trade relationship.

TABLE 12. SOME OF AUSTRALIA'S MAJOR EXPORTS TO  
JAPAN IN 1977-78\* RANKED BY VALUE

Commodity	\$ Million	Share of Australia's total exports to Japan	Japan's share of Australia's total exports of commodity
Coking Coal	1,072.3	27.7	78.6
Iron Ore	733.0	18.9	79.6
Non-ferrous Minerals**	477.4	c.11.0	
Wool	341.1	8.8	30.0
Cereal Grains	262.1	6.7	19.4
Sugar	217.7	5.6	41.3
Meat	207.3	5.3	18.5
Wood	82.5	2.1	85.6
Fish	71.1	1.8	49.0
Dairy Products and Eggs	39.2	1.0	19.7
Total value of these, and other, exports to Japan \$3,877 million.			

\* Value of all commodities given for FY1977-78, except for non-ferrous minerals which refer to calendar year 1977.

\*\* Non-ferrous minerals include: copper, lead, zinc, alumina, aluminium, gold, manganese, nickel and bauxite.

Sources: Values for non-ferrous minerals from Bureau of Mineral Resources, Geology and Geophysics *Australian Mineral Industry Annual Review 1977*, Australian Government Publishing Service, Canberra, 1979; others from Australian Bureau of Statistics *Overseas Trade Bulletin*, Canberra, 1979 issue, and Australian Bureau of Statistics *Year Book Australia*, No.63, Canberra, 1979.

approximately 11 per cent.<sup>1</sup> Then followed a succession of non-minerals commodities: wool (8.8 per cent), cereal grains (6.7 per cent), sugar (5.6 per cent), meat (5.3 per cent), wood (2.1 per cent), fish (1.8 per cent), and dairy products and eggs (1.0 per cent). These, and other, Australian exports to Japan were in total valued at \$3,877 million.

In return, Japan supplied Australia with a wide variety of manufactured, and other, items - including motor cars, machinery and electrical goods. The total value of Australia's imports from Japan in 1977-78 was \$2,112 million - giving Australia a favourable balance of trade of \$1,765 million. (Australia traditionally enjoys a very favourable balance of trade with Japan.)

The importance of this bilateral trade flow - which is said to be the seventh largest in the world<sup>2</sup> - is well recognised both in Australia and Japan. Back in 1974, Prime Minister Whitlam noted

'There are few nations in the world whose fundamental interests coincide so closely as those of Japan and Australia. The two countries have a common interest in each other's prosperity. As great trading partners, we have a very high degree of interdependence.'<sup>3</sup>

Many other observers speak of the mutual dependence of the two countries in the trade area. Menadue, Australia's Ambassador to Japan, noted how some senior members of Nippon Steel speak of 'a husband and wife relationship' between Australia and Japan.<sup>4</sup> *The Canberra Times* took up this theme in an editorial<sup>5</sup> and observed 'whether it is called economic interdependence or complementarity, the post-war relationship between Japan and Australia has some of the connotations of a successful marriage.' The Japanese Foreign Minister Sonoda in mid-1978 referred to 'the unique relationship' Japan had with Australia.<sup>6</sup>

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1. Note, the value of non-ferrous minerals is for calendar year 1977.

2. Claimed by Australia's Foreign Minister, Andrew Peacock, in an address to the Australia-Japan Society, Melbourne, 27 August, 1976.

3. See E.G. Whitlam 'Japan and Australia: Pacific Partners' *Pacific Community*, Vol.6, No.1, October, 1974.

4. Graeme Atherton *op.cit.*

5. *The Canberra Times*, 9 April, 1979.

6. Quoted in Gay Davidson *op.cit.*

Australia's dependence on the Japanese market is considerable, both overall and for many of Australia's major export items. It was back in the 1960s that Japan displaced the United Kingdom as Australia's largest market, and is now more than twice as large a market as the United States and the United Kingdom combined. (In 1977-78, more than 30 per cent of Australia's total exports - in terms of value - went to Japan.) As noted in Table 12, Japan takes some 80 per cent of Australia's coking coal and iron ore, is the largest market for many of Australia's non-ferrous minerals, and is the biggest single importer of Australia's sugar, wool and fish products.

Peacock has noted

'The Japan with which we must live and deal is fundamental to the Australian economy, and to the prospects and well-being of every Australian. On a per capita basis our economic dependence on Japan is already greater than that of any other of the industrialised decocracies.'<sup>1</sup>

Some Australians have suggested that their country is, in fact, *too* dependent on the Japanese market.<sup>2</sup>

Similar sentiments are sometimes expressed in Japan by those who fear that their country is too dependent on Australia for supplies of crucial industrial raw materials.<sup>3</sup> For some years, Australia has been Japan's third largest source of imports.<sup>4</sup> More significantly, Australia is the single most important supplier for many of Japan's major imports. For example, in 1978 Australia supplied 46 per cent of Japan's imports of coal, 43 per cent of iron ore, 60 per cent of bauxite, some 80 per cent of wool, 78 per cent of beef, and 50 per cent of its sugar imports.

Given the fact that Australia figures less prominently as a trading partner for Japan (in 1978, Australia accounted for 6.7 per cent of Japan's total imports, and 2.7 per cent of exports) than Japan does for Australia (in 1978, Japan accounted for more than

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1. Andrew Peacock, *op.cit.*

2. For an early example of such statements, see the editorial in *The Australian* 13 February, 1970.

3. See, for example, Kiyoshi Kojima 'The Long Term Path of the Japanese Economy and its Impact on the Australian Economy' *Harmonisation of Japanese and Australian Economic Policies, Japanese-Australian Project Report No.3*, Japan Economic Research Center, Tokyo, June, 1975, p.p.35-6.

4. Behind the United States and Saudi Arabia.

30 per cent of Australia's total exports, and some 18 per cent of imports), one can understand Ambassador Menadue's claim that 'the relationship means more to Australia than it does to the Japanese ... we are more dependent on them in trade terms than they are dependent on us'.<sup>1</sup> This said, the Japanese are probably just as anxious as Australians to ensure that the trading relationship is kept stable and trouble-free.

Over the years, there have been several areas of dispute in matters of trade which created serious tensions in the overall Australia-Japan economic relationship. Problems over long-term commodity contracts occurred during the global economic downturn following the 1973-74 Oil Crisis. Japanese industries, operating well below capacity, were compelled to reduce their imports of raw materials, which meant varying the terms of long-term contracts with suppliers such as Australia. In some cases - for example, with respect to sugar and iron ore<sup>2</sup> - this led to protracted and tough negotiations at both the official and commercial level. Other squabbles occurred over contract prices for coal and uranium.<sup>3</sup> Problems also surfaced with respect to Australia's sales of wool, some dairy products, and fruits<sup>4</sup> (as well, of course, with respect to the problem of beef access onto the Japanese market).

These disputes - some of which emerged after 1976 - made a mockery of the NARA Treaty. Nevertheless, both Canberra and Tokyo seemed anxious not to let the disputes escalate into a general trade war. For the most part, these problems were handled in isolation as they occurred - issue by issue. Rarely did either Japan or Australia (with the important exception of the linkage of the beef and fish access issues by Canberra in 1976/77) react to problems in one issue area by retaliating in other issue areas.

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1. Quoted in Graeme Atherton's article, *op.cit.*

2. See, for example, Ben Smith *op.cit.*

3. *Ibid* p.p.122-3, and Yoshio Okawara (Japanese Ambassador to Australia) 'Resource Buying Policies - Mutual Benefits' *Mining Review*, August, 1977, p.p.1-3.

4. See Eric Saxon, Ivan Roberts and Robert Bain 'Japanese Agricultural Policy' *Quarterly Review of the Rural Economy*, Vol.2, No.2, May, 1980.

Smith has cogently argued why neither Australia nor Japan can afford to risk a serious trade rift. He has noted how contract sales to Japanese importers continue to provide the basic security for many of Australia's minerals exporters. Investments in new mines or in large extensions of older mining operations in Australia still require the backing of firm contracts to supply the Japanese.<sup>1</sup> (The same situation applies in many of the agricultural export areas.) Smith observes that while the nature of the minerals trade is such that Australia holds an enormous short-term bargaining advantage over Japan, any attempts to embargo coal, iron ore, or other major exports would prejudice Australia's long-term trading interests. With respect to iron-ore, for example, Japan could very well turn to Brazil as an alternative supplier.<sup>2</sup> Australia, for its part, would find the switching of supplies to alternative markets a high cost exercise.

Smith also observes that the bargaining position of the Japanese purchasers is constrained by precisely the same factors. They, too, would find it costly to shift to alternative sources of supply. One of the reasons why Japan has favoured Australia as a major source of supply is the relative geographic proximity of the two countries which makes for lower freight costs - an important factor in the economics of the trade in minerals and agricultural products. Australia also has the advantage, in Japanese eyes, of possessing a reasonable measure of economic and political stability when compared with potential alternative suppliers.

In 1978 - the year in which Australia and Japan entered into the fisheries access negotiations - there existed no major trade disputes between the two countries. (Although, as noted above, there were continuing problems concerning agricultural commodities, particularly beef, access onto the Japanese market.) Ministers in Australia and Japan took satisfaction from the improved trading climate, and pledged their determination to keep it that way.<sup>3</sup> Both countries

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1. For example, in his address to Keidanren and the Japanese Chamber of Commerce and Industry in March 1978, Anthony noted 'Our iron and coal companies have invested between US\$3 and 4 billion on the basis of what were regarded to be firm long-term contractual arrangements to develop an efficient and competitive export industry to meet the needs of the Japanese steel industry'.

2. Thorp, for example, claims that Japanese industrialists 'would not hesitate to play Australia off against rival natural resource supplier Brazil when it suits commercial advantages', David Thorp, *op.cit.*

3. In his address to Keidanren in March, 1978, Anthony noted that in the two years since his last visit to Tokyo 'There have been some



looked forward to a stable, trouble-free, economic relationship from which both stood to gain much. It was recognised that there were several new areas in which opportunities existed for cooperative effort. One of these was in the field of energy - Australia was rich in all the non-oil sources of energy (natural gas, uranium and steaming coal), and Japan was a large consumer of these products. Another area was that of mineral processing. Australia had announced its intention to take new initiatives to encourage, where economically feasible, increased domestic processing of Australia's basic raw materials. It was possible that, for reasons of pollution at home and the high energy costs of processing, Japan might be tempted to participate in processing projects in Australia. A third possible area of cooperation existed with respect to significantly increased Japanese investment<sup>1</sup> in Australia in such industries as steel production, aluminium, uranium enrichment and fisheries.

This sub-section concludes with a brief consideration of those actors in Australia involved in the various issue areas identified above. Given both the scale and range of Australia's trading and other economic contacts with Japan, it should not be surprising that a very large number of Australians have a direct interest and involvement in the bilateral relationship.

In the private sector, it would be almost impossible to list all those companies and workers in some way dependent on the trade with Japan. The major minerals exporters to Japan include both large multinational corporations and Australian-owned enterprises: Broken Hill Proprietary (which exports iron ore and liquified petroleum gas), Western Mining Corporation (nickel), Alcan Australia (aluminium), Conzinc Riotinto of Australia (iron ore, bauxite, alumina, aluminium, zinc, lead and uranium), Alcoa of Australia (alumina and bauxite), British Petroleum Australia (coal), Cliffs

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isolated but nevertheless very significant areas of difference between us in our bilateral trade and economic relations. But overall I believe ... that in this period our two countries have considerably strengthened their relations with each other and have come to a better, closer understanding'. Similarly, in June that year, Sonoda told a press conference after the Australia-Japan Ministerial Committee meeting in Canberra that 'no major issues were pending at the moment' in the bilateral relationship -quoted in Gay Davidson, *op.cit.*

1. Japan was in 1978, the third largest source of foreign investment in Australia, behind the United States and the United Kingdom. However, the Japanese had hitherto felt they were unfairly disadvantaged by Australia's foreign investment policies. See 'Australia-Japan Relations' *Australian Foreign Affairs Record*, Vol.51, No.4, April, 1980, p.95; the

Western Australia Mining Company (iron ore), Clutha Development (coal), Comalco (bauxite, alumina), Esso Australia (liquified petroleum gas), Gove Alumina (alumina), Hamersley Holdings (iron ore), Houston Oil and Minerals Australia (coal), Kembla Coal and Coke (coal and coke), M.I.M. Holdings (copper, lead and zinc), Peko Wallsend (coal and tungsten), Roxley Mining (uranium and copper), Thiess Holdings (coal), and Utah Mining (coal).

Those actors in Australia having an interest in the trade with Japan in rural commodities include: the producers themselves - dairy farmers, horticulturalists, cattlemen, grain growers, sugar growers, sheep farmers, wool producers, and so on; statutory authorities such as the Australian Wheat Board, Australian Barley Board, Australian Dairy Corporation, Australian Egg Board, and the Australian Meat and Livestock Corporation; and brokers and middlemen such as the National Council of Wool Selling Brokers and Dalgety Australia.

Other major interests in Australia involved in the trade with Japan include: Colonial Sugar Refining (CSR, who export sugar and coal); Associated Pulp and Paper Mills, H.C. Sleigh and Australian Paper Manufacturers (who export pulp and/or wood chips); the major importers of Japanese products including General Motors-Holden (GMH, who import cars and machinery); and a large number of other Australian manufacturers represented by the National Trade and Industry Council, the Confederation of Australian Industry, and the Australia-Japan Business Cooperation Committee.

Those government officials and ministers in Australia most intimately involved with the bilateral economic relationship were, in 1978, those connected with: Trade and Resources, Primary Industry, Foreign Affairs, Industry and Commerce (the Minister being Phillip Lynch), Treasury (John Howard), and Prime Minister and Cabinet; while those less intimately involved were National Development (Kevin Newman) and Finance (Eric Robinson).<sup>1</sup>

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joint news release issued by Fraser and Ohira on 17 January, 1980, at the conclusion of the official visit to Australia of the Japanese Prime Minister; and Anthony's speech to the Osaka Chamber of Commerce and Industry, 9 October, 1979.

1. As will be noted in Section II, in 1978 the Standing Committee on Japan and the Consultative Committee on Relations with Japan were established, both of which included heads of all these Departments (other than Finance). That year also witnessed the establishment of the Japan Secretariat (responsible to the Minister of Foreign Affairs) which was tasked to service these two Committees.

Section I concludes with a brief summary of the major characteristics of the interdependent relationship existing between Australia and Japan - measured both in terms of the differing dependencies in the separate issue areas, and in terms of the complexity of the relationship.

In the primary issue area, the balance of bargaining leverage was in Australia's favour. While the Australians suffered from the disadvantage that their fishing zone did not contain large quantities of fish available (or attractive) to the DWFS, together with the fact that their fishing industry depended, in some measure, on assistance from the Japanese for its future development, these factors were more than offset by the Japanese longliners' considerable dependence on continued access to Australian ports. In the secondary issue area, the reverse situation applied - Australia depended on access to the Japanese beef market more than Japan needed Australia's supplies of this commodity. In the other issue areas - and with respect to the overall relationship - Australia and Japan were in a situation of mutual dependence; but, on balance, Japan was more important to Australia than was Australia to Japan. Finally, when measured in terms of the numbers of issues and actors involved, the Australia-Japan economic relationship was marked by one of relatively high interdependence - certainly so when compared with the much less complex New Zealand-Japan relationship.

## II. POLICY FORMULATION

This section examines the process of policy formulation in Australia with respect to the establishment and implementation of a 200-nautical mile fishing zone. Emphasis will be given to determining what each actor (or group of actors) identified in Section I hoped to gain from Australia's increased bargaining leverage over foreign fishing access. In particular, attention is focussed on the attitude of the different actors towards the desirability of using this leverage to gain concessions from the DWFS in areas not related to fisheries. Also examined will be the political influence of each of these actors, the policy-making framework in which decisions concerning the establishment of the AFZ were made, and the final policy choice - namely, was it decided to use fishing rights as a 'weapon' to advance Australia's broader economic interests in its relations with the DWFS, particularly Japan?

### Ila. Primary Issue Area

First considered will be the policy objectives and political influence of those actors in Australia most intimately involved with the primary issue area - the commercial fishermen, the bureaucrats primarily responsible for fisheries, and the Minister for Primary Industry.

Like their counterparts in New Zealand, the Australian commercial fishermen viewed the prospect of a 200-mile fishing zone off their coasts with a mixture of hope and anxiety. On the one hand, it was hoped that the establishment of such a zone might provide a significant boost to the development of the local industry; on the other hand, there were fears that the DWFS might become further entrenched in Australia's offshore waters. Naturally, the fishermen were determined to promote the former and avoid the latter.

When the concept of a 200-mile fishing zone was first proposed in Australia in the early/mid-1970s some fishermen naively believed that such a zone would become the exclusive preserve of the Australian fishing industry, from which all foreign fishermen would be barred. With the passage of time, however, most fishermen came to recognise that Australia would (as part of its obligations as a coastal state) have to permit access to foreign fishing vessels to harvest the fish surplus to the local industry's catching capability.<sup>1</sup> But the

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1. See the summary of the Australian fishing industry's views regarding the problems and issues involved in the management and development of an AFZ in the *Working Group Report*, p.p.47-65.

domestic fishermen insisted that if the DWFS *had* to be allowed into the AFZ, such participation should be subject to very tight controls and subject to phase-out arrangements.

In particular, the Australian fishermen emphasised the need for those fisheries already adequately exploited (or soon to be) by them to be protected from the operations of the DWFS.<sup>1</sup> Fowler (the General Manager of SAFCOL) insisted that Australia should follow New Zealand's lead by insisting that any licences granted to foreign vessels should stipulate: 'where the boats can operate; the seasons and times of fishing; the species, size, age and quantity to be caught; and the method of catching.'<sup>2</sup>

The Australian tuna fishermen were particularly keen to curb the activities of the Japanese longliners operating off Australia. It was charged that extensive Japanese longlining, albeit well offshore, had led to a significant decline in Southern bluefin tuna stocks available to Australian fishermen. The Tuna Boat Owners Association urged the Government to prevent Japanese longline fishing within the AFZ from the 30th parallel southward.<sup>3</sup> As Michael Thomas (President of the Tuna Boat Owners Association of South Australia) put it in early 1979

'A mockery would be made of the proposed economic zone if other countries are allowed to fish there in competition with Australians. We hope the Government will study our submissions and act on our request not to permit Japanese tuna fishing in the zone.'<sup>4</sup>

It was not only the tuna boat operators who were concerned about DWFS operations off Australia. The Game Fishermen's Association - based in Cairns, Queensland - had voiced their fears about the number of marlin caught incidentally by Japanese longliners in their area.<sup>5</sup>

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1. *Ibid.*, p.49.

2. R.N. Fowler, *op.cit.*, p.135.

3. See 'Tuna Plunder?' *Professional Fisherman*, April, 1979, p.3.

4. Quoted in 'Tuna Plunder' *Professional Fisherman*, March, 1979, p.1. See also Susan Woods 'Australia Seeks Fishing Rights Trade-Off' *The Australian Financial Review*, 14 February, 1979.

5. See Martin Bowerman 'Marlin - Big Fish, Big Money' *Australian Fisheries*, October, 1978, p.5.

The trawlermen operating in the Great Australian Bight and off southeastern Australia were worried that large Russian trawlers and factory ships might be allowed into their waters and 'bleed Australia's deepsea fishing grounds to death.'<sup>1</sup>.

It should not be construed from all this that the Australian fishermen were totally against the presence of foreign fishing vessels inside the proposed 200-mile zone. So long as the worst excesses of the DWFS - including competition with the local fishermen for the same fish stocks, and overexploitation of these fish - could be kept in check, there were seen to be potential advantages in a foreign fishing presence. With respect to licensed vessels, for example, Fowler notes that if the licence fees were substantial, they could provide a useful source of revenue for the promotion of the local fishing industry and for additional fisheries research.<sup>2</sup> Again with respect to feasibility fishing projects involving foreign vessels, considerable advantages could accrue to the local industry - the most important of which was the collection and transfer to Australia, of resource data.<sup>3</sup> (It should be repeated that it was this problem - that is, the absence of resource data - that was commonly considered the most serious obstacle to the development of the Australian fishing industry.) Yet again, in the case of joint fishing ventures involving foreign and Australian enterprises, there were potential benefits - including the development of new fisheries such as the catching of pelagic fish in the Great Australian Bight for fish meal, and squid fishing. It was believed that such ventures could also help to train Australians in new methods of fishing.

The Australian fishermen also hoped that the establishment of a 200-mile fishing zone would bring benefits to the processing and marketing sectors of their industry. It was suggested that if foreign fishermen were to be granted a licence to fish in the AFZ then they

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1. See the article by Alex Greig 'Russian Fishing Venture "Folly"' *The Australian*, 26 June, 1978.

2. R.N. Fowler *op.cit.*, p.136.

3. See the attitude of the fishing industry towards foreign participation in the 200-mile zone reported in the *Working Group Report*, p.56. It should be noted, however, that by 1978/79 there were many in the Australian fishing industry who believed that the disadvantages of feasibility fishing projects outweighed their usefulness. It was reported, for example, that some squid projects were 'incredibly large in scale to be called studies and ... most of the fishermen regard them as full scale commercial operations'. See 'Squid Fishery Should Be Intensively Researched' *Professional Fisherman*, April 1979, p.3.

should allow part of their catch to be processed in Australia. No less than the New Zealanders, the Australian fishermen were also very concerned about the problems of access onto foreign markets for their fish exports.<sup>1</sup> Connell (President of AFIC) felt so strongly about this issue that he urged

'If overseas countries are not prepared to accept unrestricted imports of Australian seafoods into their markets, they should be denied access into the 200 mile fishing zone. It is imperative that the Australian fishing industry, fishermen and exporters be able to rest easy knowing that their exports will continue and expand to other species rather than ultimately finding an overseas party fishing in Australian waters and taking species and marketing them in direct competition to the Australian fishermen.'<sup>2</sup>

It was obvious, then, that the Australian fishermen wanted the proposed 200-mile zone to be used as an instrument for promoting the development of their industry by placing curbs on (and winning concessions from) the DWFS. Most importantly, in the context of this thesis, the fishermen had frequently voiced their opposition to proposals linking foreign fishing access with other - that is, non-fisheries related - issue areas. Back in November 1976, AFIC was said to be alarmed at the fact that the Federal Government was contemplating 'trading off fishing resources for beef or other primary industry and mineral markets.'<sup>3</sup> A year later Fowler advised 'unless we utilise [our fish resources] it will be for political negotiation for other areas of Australian industry, at the expense of the Cinderella fishing industry, as has happened in the past.'<sup>4</sup> Yet again, in late 1978, Connell is reported to have warned the Minister for Primary Industry that a beef trade-off for fishing access 'was not acceptable to the fishing industry.'<sup>5</sup>

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1. Michael Thomas is claimed to have been most concerned about market access for products 'such as tuna and squid which are subject to import quotas in Japan.' 'Tuna Export Exclusion Fear' *Professional Fisherman*, July, 1979, p.1.

2. Fred Connell quoted in Ian Reinecke 'Fishing Industry Head Warns Against "Trade-offs"', *The Australian Financial Review*, 1 December, 1978.

3. Noted in 'Sinclair Warns Fish Producers to Exploit Resources' *The Australian*, 23 November, 1976.

4. From a draft version of R.N. Fowler's paper *op.cit.*

5. Quoted in Ian Reinecke *op.cit.*

The political influence of Australia's fishermen is small. Not only are they few in number, but they are widely scattered. (In fact, it is difficult to find a single electorate which is heavily dependent on the fishermen's vote.) Fishermen's representation is fragmentary to say the least and, for the most part, is organised on a state basis - often in a very parochial way. The closest approximation to a national organisation is the Australian Fishing Industry Council. But the geographic representation of this body is very uneven, and in some places like Tasmania is very weak. With some exceptions, the fishermen do not have good leaders with a broad knowledge of the industry. It is this factor which largely explains why the Government does not allow the commercial fishermen to participate more actively in the policy-making process with respect to fisheries management. For the most part, the influence of the fishermen does not extend beyond direct lobbying of officials in the Fisheries Division and the Minister for Primary Industry.

The government officials responsible for fisheries broadly agreed with most of the commercial fishermen's objectives with respect to the use of the proposed fishing zone. They supported, for example, the principle that the local fishing industry should be protected from undue competition by the foreign fishing vessels. The Fisheries Division suggested that this could best be done by classifying Australia's fish stocks into three categories: fully exploited (by Australians), underexploited, and unexploited. Foreign fishermen would not be permitted to exploit fisheries in the first category; there might be some scope for foreign participation (at least in the short term) for some species in the second category; and it was recognised that there was justification for participation by foreign fishermen in third category fisheries.<sup>1</sup>

This said, the bureaucrats were generally more prepared than the fishermen to permit foreign access into the zone. In contrast with most commercial fishermen, the government officials were acutely conscious of Australia's obligations under the ICNT concerning foreign access to fish surplus to the coastal state's catching capability.<sup>2</sup> Further, the bureaucrats recognised that if Australia

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1. See the *Working Group Report*, p.p.17-18, also P.Ryan *op.cit.* p.p.10-15.

2. For example, see E.A. Purnell-Webb, September 1979 *op.cit.*, p.p.4-7; and K. Radway-Allen December 1977 *op.cit.*, p.7.



were to meet its obligations it needed first to know what resources it had in the AFZ. They believed that the cheapest and quickest method of obtaining this information was through the encouragement of feasibility fishing projects and joint ventures involving foreign enterprises.

There is reason to believe that the Fisheries Division was less eager than the fishermen to use Australia's bargaining leverage over fishing access to gain concessions from the DWFS with respect to market access for Australian fish products. It was noted above<sup>1</sup> that A.J. Best (an officer with the Marketing Section of the Fisheries Division) had suggested that there were few restrictions for Australian fish on Japanese markets - despite evidence to the contrary. Further, she very optimistically assumed that as it was 'the established policy of the Japanese Government to increase quotas and reduce tariffs where possible ... this can be expected to continue in the future'. As will be detailed in Section III, during the fisheries negotiations with Japan it was officials from the Department of Trade and Resources, rather than those from Fisheries Division, who most keenly sought more generous fish market access from the Japanese.

Very rarely did officials from the Fisheries Division make any public statement concerning the advisability (or nonadvisability) of linking fisheries access issues with other issue areas. However, in late 1977, Patrick Ryan (Assistant Secretary - Policy - and Chairman of the AFC Working Group) made his views known on this subject.<sup>2</sup> He noted that there were a variety of policy instruments which Australia could use to obtain the goal of maximum economic benefits from the zone - among these were the collection of licence fees from DWFS, feasibility fishing projects, and joint ventures. He also noted that

'It has been suggested in some quarters that fishing rights could be used as one of the weapons in our overall armoury to advance our political, economic, defence and other relations.'<sup>3</sup>

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1. See Section Ia.

2. Patrick Ryan, *op.cit.*

3. *Ibid.*, p.14.

Ryan observed that, while he recognised that in drawing up any bilateral arrangement with a foreign government 'our overall relationships will need to be taken into account',<sup>1</sup> he saw '[unspecified] substantial difficulties' in the implementation of any form of 'resources diplomacy'. Elsewhere in his article, Ryan made it clear he favoured maximum 'Australianisation' in the zone. It is likely that his views were widely shared within the Fisheries Division, for few officials in the Division would have wanted to see the interests of the local fishing industry put at risk by linkage diplomacy.

The Minister for Primary Industry,<sup>2</sup> we have already observed, had dual responsibility for agricultural and fisheries affairs. It was also noted (and it will be noted again in the following sub-section) how the Minister had several times between 1976 and 1978 advocated the use of Australia's fishing zone to obtain concessions from Japan with respect to Australia's beef (and other rural) exports. Not once did he explain how such linkages could be made without in some way sacrificing the interests of the local fishing industry. Fortunately for him, it does not appear that he was pressed publicly on this facet of linkage diplomacy. (Although AFIC had, from time to time, warned Sinclair that they would not sanction trade-offs involving fishing access.)

The Minister was always careful to reassure the fishermen that the major objective in declaring the AFZ was to promote the local fishing industry. In early 1977, he had advised that 'In the event of jurisdiction being extended to 200 miles, Australian fishermen will get first priority.'<sup>3</sup> When introducing the Fisheries Amendment Bill to Parliament on 13 April, 1978, Sinclair declared

'Australian fishermen need have no fear that the declaration of the 200-mile zone holds anything for them but advantages ... the legislation provides the means of exercising an extensive and effective control over any foreign fishing operations within the AFZ.'<sup>4</sup>

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1. *Ibid.*, p.15.

2. For all but the last week or so of the period under review in this case study, the Primary Industry portfolio was held by Ian Sinclair.

3. From Sinclair's address to the Rock Lobster and Prawning Association of Australia, Perth, 8 February, 1977.

4. Quoted in '200-Mile Bill of Major Significance to Australia, Minister tells Parliament' *Australian Fisheries*, May, 1978, p.4.

Two months later he announced that the decision to establish the zone was taken in the light of: progress made in UNCLOS III; the need to ensure rational exploitation of Australia's fish stocks; the need to protect and develop Australia's fishing industry; and to ensure proper conservation of Australia's fish stocks.<sup>1</sup> In October, 1978, E. Adermann (the Acting Minister for Primary Industry) assured AFIC that the Commonwealth Government was anxious that Australian fishermen 'gained every possible advantage from the new zone'. He also noted that the government was exploring the possibility of opening up new market outlets for Australia's fish.<sup>2</sup>

#### IIb. Secondary Issue Area

Next considered will be the policy objectives and political influence of those actors in Australia most intimately involved with the secondary issue area: the cattlemen; the bureaucrats primarily responsible for the trade in beef; Ian Sinclair, the Minister for Primary Industry and deputy leader of the National Country Party; and J.D. Anthony, the Minister of Trade and Resources and leader of the NCP.

It will be recalled from sub-section Ib that the Australian beef producers had strongly supported the concept of using their country's bargaining leverage over fishing access to gain concessions from Tokyo with respect to beef market access. From late 1976 through to early/mid-1978, the cattlemen frequently urged the Minister for Primary Industry to adopt a strategy of 'resources diplomacy' against Japan. The fact that the overall beef export situation had improved somewhat by mid-1978<sup>3</sup> - temporarily silencing the cattlemen's cries for action - did not mean that the cattlemen were any less committed to linkage diplomacy in this area.

It will further be recalled that the Minister had responded to their requests, and had frequently stated that the proposed AFZ would be a useful lever to open up the Japanese beef market. Sinclair's sympathy with the cattlemen's requests is only partially explained by

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1. See 'Foreign Fishing in 200-Mile Zone' *Australian Fisheries*, July, 1978, p.34.

2. E. Adermann's address to the Australian Fishing Industry Council's annual general meeting in Canberra, October, 1978.

3. It will be remembered that the United States had substantially increased its purchases of Australian beef at this time.

the fact that he was the Minister charged with major responsibility for agricultural affairs. Sinclair's response to the beef producers was prompted more by party political considerations. As deputy leader of the NCP - and himself the representative of a rural electorate - he was particularly sensitive to farmers' complaints.

Sinclair's eagerness to placate the cattlemen may readily be appreciated by describing an incident which highlighted the fluid state of rural politics at that time. In late 1977 - shortly before the Federal elections - sections of the rural community announced that they would be challenging several sitting Government members under the banner of the Independent Country Party. The moves were sponsored by members of the beef industry, including many meat exporters, concerned at the implications of the new method of carving up the Japanese beef quota among exporters. Several Country Party members and some Liberal members with rural electorates were faced with challenges from candidates outside the mainstream of the major political parties. Sinclair was claimed to be one of those expected to be so challenged in his northern New South Wales electorate of New England.<sup>1</sup>

Anthony was exposed to somewhat similar pressures. First, as Minister of Trade and Resources, he had some responsibility for the trade in beef - as well, of course, responsibility for other items exported to Japan. Second, and more significantly, as leader of the NCP he was vitally concerned about the farm vote.

There seems little question that Anthony was not, in principle, opposed to the concept of linkage diplomacy. For example, it is reported that in his talks with EEC leaders in early 1977 he had hinted that Australia's exports of energy would be related to Europe's imports of Australian rural products.<sup>2</sup> In his contacts with the Japanese, however, he never made the linkage between beef and fishing access (or other issue areas) so explicitly. Nevertheless, he left the Japanese in no doubt that he wanted the issues of beef and fishing access treated dependently. It may be noted, for instance, that, in his address to the Japan Chamber of Commerce and Industry and Keidanren,<sup>3</sup> he concluded his remarks about Japan being given a 'preferred position' with respect to access to the AFZ, by saying

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1. A more detailed treatment of this incident is given by Stuart Simson 'Discontent Sparks Independent Country Party'. *The Australian Financial Review*, 9 November, 1977.

2. See the article 'Hard Line on Japan' *The Age*, 26 May, 1977.

3. Given on 15 March, 1978.

'This subject leads to another ...' And the subject he next introduced was that of Japan's restrictive beef import regime. It is probably safe to assume that Anthony's more subtle and muted exercise of linkage diplomacy with the Japanese reflected his concern not to antagonise unduly Australia's most important trading partner.

The proponents of linkage diplomacy had, therefore, in Anthony and Sinclair, two very powerful supporters - both of whom had positions of influence in Cabinet.

It appears that the bureaucrats primarily responsible for the beef trade with Japan - those in Primary Industry's Meat and Meat Products Division and those in Trade and Resources' Commodity Policy Division - generally supported the proposal to link fishing access with the beef access issue. But one interviewee did suggest that one or two officials in Primary Industry were concerned that, by linking the two issues, Australia ran the risk of Japan retaliating by reversing the linkage - where the Japanese might say 'You (Australia) let us into your fishing zone, or we (Japan) will not buy your beef.'<sup>1</sup>

#### IIc. Other Issue Areas

This sub-section considers the policy objectives and political influence of all those other actors in Australia significantly involved in the economic relationship with Japan not included in the primary and secondary issue areas. Before identifying the views of each individual actor (or group of actors), however, several paragraphs will be devoted to the arguments most commonly put forward: on the one hand, by those in favour of using Australia's bargaining leverage over fishing access to gain concessions in other issue areas; and, on the other, by those against linkage. It is hoped, thereby, to avoid unnecessary duplication, for in the course of research it proved that many of the actors within each of these two broad groups had very similar attitudes towards linkage diplomacy.

The arguments put forward by those actors favouring linkage were relatively straightforward. It was charged that Australia should derive

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1. Some Japanese had, in fact, occasionally warned Australia that the reverse linkage might be applied. For example, in early 1978, Keiichiro Shimada (a Deputy Director of *Nōkyō*), when visiting Canberra, warned the Federal Government that talk of resources diplomacy involving fishing access 'was very much a mistaken approach.' He noted that a tough approach in trade negotiations with Japan could lead to a backlash among Japanese agricultural producers where 'This could lead to a tightening up on the amount of imports Japan would take.' See 'Warning from Japanese Agricultural Lobby' *Canberra Times*, 7-8 February, 1978.

the maximum benefit from its bargaining leverage over fishing access to the proposed 200-mile fishing zone. These benefits need not necessarily apply only to the fishing industry, but could (and should) extend to other sections of the Australian community. It was also argued that, in one sense, it has been common practice - both in Australia and elsewhere - to link issues in negotiations. For example, the Multilateral Trade Negotiations (MTN) extend across a wide range of issues - where the aim is, ideally, to negotiate an outcome involving a package that is satisfactory to all parties. It was also pointed out that the Commerce Agreement which Australia had negotiated with Japan had, in fact, involved a package of issues. Another common argument by those supporting linkage was that New Zealand (Australia's trans-Tasman neighbour) had used this strategy in its fisheries access negotiations with Japan, and appeared to have had at least *some* success.

Those actors who opposed trade-offs generally presented a much wider range of arguments to support their case. Their greatest concern was that the adoption of a linkage strategy might seriously damage Australia's total relationship with Japan. It was noted that Australia was heavily dependent on the trade with Japan. Further, the balance of this trade was very much in Australia's favour.<sup>1</sup> In their eyes, the danger was that Japan might respond to any Australian trade-off by retaliating in one of the many other issue areas that linked the two countries. There was a clear recognition that linkage diplomacy was a 'two-edged sword'. Moreover, there appeared at this point in time (mid-1978), no valid reason why Australia should engage in such diplomacy. Australia was in nowhere near the same economic plight as New Zealand, and there were no major problems existing in the economic relationship with Japan.

Those opposed to trade-offs also had serious doubts whether such a strategy would bring any rewards. Australia had little to show from its efforts at linkage diplomacy against the EEC. Further, it was questioned whether New Zealand had gained anything of substance from its fisheries access, and related, negotiations with Japan.

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1. It will be recalled that in 1977-78 Australia had a favourable balance of trade with Japan of \$1,765 million.

There were also seen to be technical difficulties attached to a linkage strategy. In the absence of more detailed knowledge of Australia's fish resources, it was difficult to say with any accuracy what bargaining leverage Australia had over Japan. Some observers believed that the leverage (even allowing for the port access issue) was not very large. It was also noted that as Japan was probably better informed than Australia with respect to the fish resources in the Australian region, the Japanese would have a considerable advantage in any negotiations involving trade-offs.

Various moral arguments were put forward by those actors against trade-offs. It was argued that under the NARA Treaty, Australia had promised Japan that it would be a 'reliable supplier' and would not adopt policies which were harmful to the trading relationship. Further, under the ICNT Australia had certain obligations towards foreign fishing nations - such as Japan - which had habitually fished in the region and/or which had cooperated with the coastal state in fisheries research and in other areas related to the fishing industry.

This sub-section now identifies the views of individual actors or groups of actors with respect to trade-offs involving foreign fishing access to the AFZ and other issue areas. Much of the following assessment is based on interviews conducted with numerous government officials both in Australia and Japan. Given the sensitive nature of some of this information - particularly where it treats with personalities and inter-bureaucratic rivalries in Australia - the sources can rarely be identified, either by name or by government department. However - as noted in the introductory pages to this case study - this does not pose a serious research problem, as there is sufficient documentary evidence available in the public realm to substantiate the major conclusions drawn from these interviews.

The first actor considered here is Malcolm Fraser - Prime Minister, leader of the Liberal Party, and Minister in charge of the Department of Prime Minister and Cabinet. From some of Fraser's public statements, it would appear that he was very much against any form of linkage diplomacy. Shortly before becoming Prime Minister, Fraser addressed the question of Australia's international responsibilities as a major exporter of raw materials. He noted that

'[Our] natural wealth imposes obligations upon us which are not fully recognised. We do have an obligation to use our natural resources, not only for

our own selfish purposes, but for the wider good of the international community. Trade and foreign affairs need to be kept strictly apart for the future ... Resources diplomacy is one of the things that will help plunge the world into a major depression.'<sup>1</sup>.

He then went on to note a number of things that had occurred in the previous two or three years in the global economic situation which had disturbed and upset Japan. Among these were the 1973-74 Oil Crisis, international currency decisions, and the soya bean *shokku*. Fraser claimed

'To that list one must add the Prime Minister [Gough Whitlam] and the Minister for Mineral and Energy's [Rex Connor] use of resources diplomacy which caused Japan to write recent iron ore contracts with Brazil and South Africa, rather than with Australia.'<sup>2</sup>.

Fraser's public stance was that resources diplomacy was a discredited instrument of foreign policy, favoured only by the Labor Party.

When Fraser visited Japan in mid-1976 to sign the Treaty of Friendship and Cooperation between the two countries, he reminded his Japanese hosts that 'Australia would not be a party to holding consumer countries to ransom.'<sup>3</sup>. It has also been noted in the New Zealand case study how Fraser had, in 1977, bitterly opposed Muldoon's 'fish diplomacy' against Japan. (It will be recalled that Fraser had actually written a letter to President Carter conveying his concern about this matter.)

But the Prime Minister's actions belied his words. Fraser was not, in fact, opposed to the concept of trade-offs involving Australia's natural resources in certain situations. It seems certain that he was strongly supportive of John Howard's (then Minister for Special Trade Negotiations) efforts in 1977 to use Australia's bargaining leverage over uranium supplies to extract concessions with respect to agricultural products from the EEC. It appears that Fraser might have even tried to use the uranium lever as an instrument

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1. Malcolm Fraser 'National Objectives - Social, Economic and Political Goals' *The Australian Quarterly*, Vol.47, No.1, March, 1975, p.33; based on a paper presented by him to the 46th ANZAAS Congress, January, 1975.

2. *Ibid.*, p.34.

3. Quoted in Stuart Simson, 17 November, 1976, *op.cit.*



to solve the sugar dispute with Japan at this time. After Fraser's talks with Prime Minister Fukuda in Kuala Lumpur, Australian officials were reportedly 'at pains to emphasise there had been no trade-offs such as uranium for sugar in the way New Zealand has sought to link dairy exports to Japanese fishing rights.'<sup>1</sup> But as Brenchley of *The Australian Financial Review* then noted,

'While there was no suggestion Mr. Fraser made any [specific?] uranium trade-off, the relevance to Tokyo of stable supplies of Australian uranium in the context of Mr. Fraser's strong language about sanctity of sugar contracts cannot have escaped the Japanese.'<sup>2</sup>

More significantly, in the context of this thesis, the evidence suggests that Fraser was probably keen to link the fish access issue with other issue areas in the Australia-Japan relationship. It seems inconceivable that Sinclair would, in late 1976, have promoted the so-called 'fish-for-beef-deal' without the Prime Minister's consent. In fact, Stuart Simson claims that Sinclair's exercise of resources diplomacy at that time had 'full Government backing'. Sinclair, himself, was supposed to have described the policy as 'a joint point of view expressed on behalf of the Government.'<sup>3</sup>

Fraser's letter to Carter complaining about the Muldoon Diplomacy should not be seen as a condemnation of linkage diplomacy as such. Fraser's concern was less about the economic ramifications of the New Zealand-Japanese fisheries access negotiations, than with their likely political consequences. The Australian Prime Minister feared that New Zealand - a partner in ANZUS - might carry out its threat to shut out the Japanese, and be prepared to let the Russians into the zone in their place.

It should be emphasised that, despite the fact that Fraser and Muldoon shared somewhat similar political philosophies, there was strong personal rivalry between the two. More than one interviewee insisted that it was this rivalry which provided the main motivation for Fraser favouring the adoption of a linkage strategy in Australia's fisheries access negotiations with Japan.<sup>4</sup> It was claimed that Fraser

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1. Fred Brenchley *op.cit.*

2. *Ibid.*

3. See Stuart Simson, 17 November, 1976, *op.cit.*

4. A recent example of the rivalry existing between Fraser and Muldoon was the clash between the two Prime Ministers at the meeting of heads of government from Commonwealth countries in Asia and the Pacific in

was anxious to demonstrate that he could obtain at least as good a deal from the Japanese as had Muldoon.

There seems little doubt, therefore, that the Australian Prime Minister supported the idea of trade-offs involving the AFZ. Given the fact that he, like Muldoon, had a strong personality which did not easily endure opposition to his policies, it seemed likely that he would have a disproportionately large influence on the final choice made in Cabinet with respect to Australia's policy position towards Japanese fishing access. Needless to say, Fraser's influence over his advisers in the Department of Prime Minister and Cabinet was even greater. Significantly, in the Australia-Japan fisheries access negotiations of 1978-79, it was officials from that Department who were some of the strongest proponents of trade-offs linking the fish access issue with other issue areas.

The next set of actors considered is Andrew Peacock (the Minister for Foreign Affairs) and his departmental advisers. There is reason to believe that they were far from enthusiastic about linkage diplomacy. At the time of the earlier (1976/77) 'fish-for-beef deal', Peacock was said to be against this kind of 'horse-trading' approach to Australia-Japanese relations.<sup>1</sup> It was reported elsewhere that Foreign Affairs officials described Sinclair's threats against Japan as 'Australia cutting off its nose to spite its face'.<sup>2</sup> Australia's Ambassador to Japan at this time - Keith Shann - was reported to have said that he regarded attempts to link beef and fishing rights as 'very silly'.<sup>3</sup> The Ambassador noted that such trade-offs have their dangers, not least because Australia sells Japan a great deal more than it buys from it.

It is unlikely that the views of this set of actors had changed radically by mid-1978. With their broader responsibilities, covering the totality of the relationship with Japan, they viewed with disfavour any policy that put this relationship at risk. (And the New Zealand example showed that such a danger existed with linkage diplomacy.) Another element in Foreign Affairs' opposition

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New Delhi in September, 1980. See Michael Richardson 'Fraser and Muldoon Clash On Outlook' *The Sydney Morning Herald*, 6 September, 1980.

1. See Stephen Nisbet 'Japanese May Be Denied Fishing Rights' *The Age*, 17 November, 1976.

2. Reported in Stuart Simson, 17 November, 1976, *op.cit.*

3. Quoted in Brian Toohey, 21 January, 1977, *op.cit.*

to linkage diplomacy might have been the inter-bureaucratic rivalry existing between them and Trade and Resources over international economic affairs.<sup>1</sup> The fact that the latter generally favoured linkages, was an added reason why they - Foreign Affairs - should oppose linkages.

In conclusion, it appears that the Foreign Affairs officials were strongly against using Australia's bargaining leverage over fishing access to gain *specific* concessions in other issue areas from Japan. At most, they were prepared to accept only the vaguest and mildest form of linkage.

It was noted in the previous sub-section that officials in the Commodity Policy Division of the Department of Trade and Resources were strongly in favour of trade-offs. It appears, however, that not all officials within this Department agreed with this negotiating strategy. For example, it has been suggested by several sources that officials within the Trade Relations Division - which has prime responsibility for reviewing Australia's trade relations with other countries and which negotiates and administers trade agreements - were opposed to linkages for very much the same reasons as those in the Department of Foreign Affairs. As will be noted in the next sub-section, they communicated their concern about the possible dangers of linkage diplomacy affecting the total trade relationship with Japan to their Minister (Anthony), but in the final event, had no choice but to support the Minister's decision in this matter.

It is somewhat more difficult to determine what the attitude of the Treasurer (John Howard) might have been to trade-offs with Japan. It has already been noted how, in 1977, Howard - then Minister for Special Trade Negotiations - had tried to link Australia's uranium exports with that of agricultural products' imports onto the EEC market. When asked at that time by a reporter from the *Financial Review* why Australia did not use this form of bargaining with Japan, he replied

'There had been a feeling developing over a period of time that we really had been very badly treated by the Europeans and a major

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1. For a comprehensive treatment of this issue see Andrew Farran 'Foreign Policy and Resources: Problems Arising From A Disintegrated Decision-Making Process' *The First Thousand Days of Labour*, Vol.1, APSA Conference, Canberra, 1975.

effort was required. You mentioned Japan, but our trading relationship *over the whole range* [author's emphasis] is more satisfactory than it is with the EEC.<sup>1</sup>

The argument that Howard used in 1977 applied with greater force a year later - for, in mid-1978, the Australia-Japan trading relationship was on a sounder, more stable, trouble-free footing than it had been for some years. It is doubtful, however, whether Howard would have been greatly opposed to the adoption of linkage diplomacy against Japan in 1978. First, as Treasurer he had less immediate concern, or responsibility, for the trade relationship with Japan. Second, as the political protégée of the Prime Minister it was unlikely that he would strongly oppose a policy option favoured by Fraser.

The last group of actors considered here is that comprising the very large number of private interests - including the big minerals exporters - who trade with Japan. What is particularly noticeable is that, unlike the private actors in the primary and secondary issue areas, very rarely did the actors in this group (either individually or collectively) make public statements concerning the proposed trade-off between fishing access and beef. There are three possible explanations for this comparative silence: one, they normally do not make public comments on government policy, but communicate their concerns privately and directly to the relevant bureaucrats and Ministers; two, they did not give much thought to this subject (for, after all, there had not been much coverage of the trade-off debate in the media); and, three, they *had* thought about it, but considered that there was no reason to fear or oppose linkage diplomacy. As the following paragraphs demonstrate, the first explanation is more credible than the other two. It can be demonstrated that at least some actors within this group *did* think about the question of linkage diplomacy and, further, that they had serious reservations about the wisdom of employing it against Japan.

In April, 1977, the Commonwealth Government appointed an Ad Hoc Working Committee on Australia/Japan Relations to 'inquire into and submit recommendations to the Prime Minister on measures which might be taken to enhance the relationship between Australia and Japan and to improve the management of the relationship.'<sup>2</sup> There were eight members

1. Quoted in Richard Ackland 'Howard's Uranium Lever in Europe' *The Australian Financial Review*, 29 August, 1977.

2. *Australia-Japan Relations*, Report of the Ad Hoc Working Committee on Australia-Japan Relations, Australian Government Publishing Service, Canberra, 1978, p.15.

of this Committee: S.B. Myer, the Chairman (who was also Chairman of Myer Emporium, traders in manufactured items with Japan); R.D.G. Agnew (Chairman of Agnew Clough, exporters of nickel and other non-ferrous metals to Japan); Sir John Crawford (Chancellor of the Australian National University, and Chairman of the Australia-Japan Economic Relations Research Project); R.G. Jackson (General Manager of CSR, exporters of sugar, iron ore and coal); D.H. McKay (Secretary, Department of Overseas Trade); A.R. Parsons (Deputy Secretary Department of Foreign Affairs); A.J. Woods (Secretary, Department of National Development); and P. Nolan of the Australian Confederation of Trade Unions. One may safely say, therefore, that this Committee broadly represented the actors in the 'other issue areas' category.

Reflecting the nature of the bilateral relationship, the Committee placed greatest emphasis in its Report on economic matters. It noted, for example, the very high degree of economic complementarity and mutual economic dependence existing in the relationship. The Report noted, however, that

'One of the most serious deficiencies in the relationship is the lack of agreement about what each side should accept with regard to security of supply and access to markets. Australia should continue to seek to persuade Japan to accept assurances of stable supply at reasonable prices, in return for offering Australia access to stable and reliable markets.'<sup>1</sup>

Special attention was drawn to problems in the beef trade, where a 'particularly cumbersome and unpredictable system of import controls has frustrated Australian efforts to penetrate a potentially large market.'<sup>2</sup>

Of particular relevance to the present study, is what the Committee had to say on the subject of linkage diplomacy. In fact, the Committee paid very close attention to this subject under the heading of 'Resources Bargaining'. This section of the Report will, therefore, be very closely examined here and will be quoted freely.

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1. *Ibid.*, p.5.

2. *Ibid.*, p.9; see also p.p.135-8.

In brief, the Committee was generally opposed to resources bargaining - as it described the practice of linking disparate areas in the economic relationship in negotiations. It was noted that the particular instance of resources bargaining which most attracted comment in evidence to the Committee was

'the possibility, referred to by Australian Ministers last November, that Australia may withhold extension of the unique port access concessions, currently granted to Japanese tuna vessels, unless the Japanese Government agreed to lift its newly-announced beef import quota to a level that reflected earlier assurances about maintaining reliability in the trade.'<sup>1</sup>.

The Report suggested that this episode was a departure from Australia's normal negotiating strategy, where the 'preferred approach has been to tackle problems in trade and economic relations on a commodity-by-commodity, issue-by-issue basis.'<sup>2</sup>. The Report then proceeded to list the reasons why the latter approach has been preferred. It was noted that

'it is most unlikely that one Australian industry will be inclined to enter into arrangements designed to benefit another, the coal industry entering into commitments which secure a larger market for our beef exports in Japan, for example.'<sup>3</sup>.

It was also claimed that there is a risk that, by linking problems, 'solutions are found for none of them ... *In short, it can lead to a widening and escalation of a dispute to the detriment of all the individual products involved.*'<sup>4</sup>. There was a danger, the Report believed, that the target country may seek to diversify to other sources of supply (or perhaps to other substitute products), and/or 'may well retaliate if the balance of advantage in another product traded is in their favour.'<sup>5</sup>.

The Report stressed that resources bargaining was particularly risky in the Australia-Japan relationship. It was claimed that both Australia and Japan 'stand to lose enormously' if there is disruption to trade. It was also noted that the Japanese Government and people

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1. *Ibid.*, p.p.131-2.

2. *Ibid.*, p.132.

3. *Ibid.*, p.p.132-3.

4. *Ibid.*, p.133; present author's emphasis.

5. *Ibid.*, p.133.

are, more than most, very sensitive to pressures by foreign countries in areas where Japan is vulnerable - such as its dependence on access to foreign supplies of fuels, industrial raw materials and many food-stuffs. The Report continued

'Of the various commodities Australia exports to Japan, suspension of trade in any one of them would be likely to harm Australia considerably. *Retaliation by Japan in some other area is also a very likely consequence. For these reasons the Committee tends to the conclusion that attempts to engage in "resources bargaining" with Japan should be regarded with great caution.*'<sup>1</sup>.

This section of the Report concluded by noting the importance that fisheries questions are likely to assume in Australia's relations with Japan. The Committee observed that Australia would soon be establishing a 200-mile fisheries zone. It was argued that, while Australia 'should utilise this resource [the fishing zone and the fish stocks contained therein] so as to ensure the maximum benefits to Australia over the long term', Australia should also be careful to ensure that *'all countries seeking access including Japan, are treated in a way that can be justified as even-handed and non-discriminatory.'*<sup>2</sup>.

The Committee, therefore, advised Prime Minister Fraser that they were generally not in favour of trade-offs in the forthcoming fisheries access negotiations with Japan. Given the fact that the Committee's position on this matter was probably shared by most other actors in the 'other issue areas' category, the Government could not easily ignore the views of this group - for this group had considerable influence, representing as it did some of the most powerful economic interests in Australia.

Before considering the institutional framework in which policies relating to foreign fishing access were formulated in Australia, a brief summary is given of the attitudes of the different actors listed above toward linkage diplomacy involving the Australian Fishing Zone and its fish resources. It will be noted that the various actors generally had policy preferences similar to those predicted in the analytical framework. Those in the primary issue area (except the

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1. *Ibid.*, p.134; present author's emphasis.

2. *Ibid.*, p.135.

Minister for Primary Industry) were strongly against trade-offs; those in the secondary issue area were equally in favour of trade-offs; and those in the 'other issue areas' category were, for the most part, against linkage diplomacy.

It would be very difficult to determine which grouping - those in favour of trade-offs or those against trade-offs - had the greatest political influence. If one measured the influence of only the various private (commercial) interests and of the bureaucrats, then the balance would be quite even - but probably favouring those *against* linkage diplomacy. However, it appears that amongst the Cabinet Ministers, those in favour of trade-offs (including senior Ministers such as Fraser, Sinclair and Anthony) were in the majority.

It will be noted in the following two sub-sections that the Cabinet Ministers were critically involved in the decision-making process concerning the policies to be adopted with respect to the use of the AFZ as a bargaining lever against other countries. It will also be noted that their views prevailed, and linkage diplomacy was adopted as a suitable policy instrument in the forthcoming fisheries negotiations with Japan. However, it will also be noted that the views of the many other actors - both private and bureaucratic - who opposed trade-offs were not ignored, and when the linkage diplomacy was exercised against Japan it was of a much milder variety than that employed by New Zealand against Japan.

#### IId. Decision-Making Network

This sub-section examines the decision-making machinery established in Australia to formulate policies both with respect to the introduction and implementation of the AFZ, and with respect to the broader question of linkage diplomacy involving Australia's leverage over foreign fishing access. Emphasis will be given to identifying those actors participating in the formal decision-making process - for the final policy choices will, in large part, be determined by those actors most directly involved. For the sake of convenience, the following analysis will be divided into two parts; the first will examine those bodies charged with major responsibility for formulating policies related most specifically with fisheries management issues; the second examines those decision-making bodies primarily concerned with the broader economic (and political) dimensions of Australia's fisheries access policies.



Under the Commonwealth Fisheries Act, the Federal Government has responsibility for the regulation of fisheries outside Australia's territorial waters and in external matters such as international fisheries negotiations and export marketing. With respect to the formulation of fisheries management policies within the proposed Australian Fishing Zone and the negotiation of access agreements with the DWFS, therefore, the Federal Minister for Primary Industry and his Departmental advisers were likely to play a central role. Such proved to be the case, but - as will be demonstrated below - the separate State Governments and the commercial fishing industry, in varying degrees, also had roles to play in the policy-making process.

The major existing fisheries management mechanisms (most of which were established back in the late 1960s) were used as a vehicle for consultation between the Federal and State Governments on the new issues arising out of the 200-mile zone. At the apex of this decision-making hierarchy stood the Australian Fisheries Council (AFC), which included the relevant State ministers responsible for fisheries, and which had as its Chairman the Minister for Primary Industry. The major function of the AFC is the coordination of Commonwealth and State fisheries management policies. The AFC is supported by a Standing Committee on Fisheries at the director level. There were also three sub-committees responsible for the management of fisheries in different parts of Australia: a Northern Fisheries Sub-Committee dealing with fisheries off Queensland, the Northern Territories, and northern West Australia; a Western Fisheries Sub-Committee concerned with the remaining western waters; and a Southeastern Fisheries Sub-Committee responsible for waters off New South Wales, Victoria, Tasmania, and South Australia. These Sub-Committees, in their turn, established various working groups for particular fisheries.

There were also established new bodies charged with the task of examining and reporting upon the issues and problems involved in the management and development of a 200-mile fishing zone. These provided additional opportunities for consultation between Federal and State Governments, and also gave the commercial fishermen a chance to voice their opinions.

One such body was the Working Group on the 200 Mile Fishing Zone which was established in 1976 by the AFC to examine and define the issues involved in managing fisheries resources within a 200-nautical mile fisheries zone. The six members of the Group comprised: two

officials from the Fisheries Division (DPI), two officials from State departments (one from West Australia, the other from Tasmania) responsible for fisheries, one scientist from the CSIRO, and Fred Connell of AFIC. The Working Group was specifically requested to consult with Governments and industry before reporting to the Standing Committee on Fisheries and the AFC. It had no independent power to make policy decisions, but acted as an advisory body to the AFC.

One of the recommendations of the Working Group Report<sup>1</sup> was the establishment of an Australian Fishing Zone Committee. In recognition of this, the AFC in late 1978 decided to establish the Australian Fishing Zone Committee (AFZC) to: review and report to AFC, through the Standing Committee on Fisheries, from time to time, guidelines for foreign fishing vessels and crew participation in the Australian fishing industry; and to review and report to AFC through the Standing Committee the effect of foreign participation in Australia's 200-mile zone on the Australian fishing industry. The six members of the AFZC comprised two representatives from the Commonwealth Government, two from State Governments, and two from the fishing industry (one from the catching sector, and one from the processing/marketing sector). The Committee acted as a liaison body between Governments and industry, and held its first meeting with fishermen and fishing companies in March, 1979, to discuss foreign fishing activities off Australia.

Another policy-making body was established in early 1978, with specific responsibility for supervising the feasibility fishing projects involving foreign vessels. This was the Sub-Committee on Fishing Proposals, and included a number of Government Departments.

From what has been said above, it would appear that the commercial fishermen had been given some opportunity, at least, to participate in the decision-making process concerning fisheries management in the proposed AFZ. However, the fishermen frequently complained that their views were insufficiently accommodated in Government fisheries policies. Indeed, there is evidence to suggest that the Regional Sub-committees of the Standing Committee on Fisheries were not in favour of industry participating in policy-making in a formal sense, wishing to reserve for themselves the task of developing draft management plans and

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1. Which, it will be recalled, was released in November, 1977.

research needs for those fisheries involving foreign fishermen.<sup>1.</sup>

As might be expected, policy decisions concerning the broader economic (and political) dimensions of extended fishing zone management were made at only the most senior levels of government. Australia's negotiating position in the forthcoming talks with Japan - particularly with respect to the implementation of trade-offs across different issue areas - was decided by Cabinet. The Cabinet received advice from a standing Inter-Departmental Committee on the 200-Mile Zone, which involved some ten Government Departments - including Foreign Affairs, Prime Minister and Cabinet, Primary Industry, Trade and Resources, Defence, National Development, Treasury, and Industry and Commerce. This Committee coordinated the various policy inputs from separate Departments. The Ministers also received policy recommendations directly from their respective Departmental advisers. It appears that the Standing Inter-Departmental Committee on Japan was not called upon for policy advice in this area.

Actors from the private sector played only an indirect role in the decision-making process involving the wider economic aspects of fisheries negotiations with foreign countries. Apart from the Ad Hoc Working Committee on Australia-Japan Relations - which, it will be recalled, had been given the chance to communicate its views on the subject of resources bargaining involving the AFZ directly to the Prime Minister - most private actors had no recourse but to make their policy recommendations through informal channels.<sup>2.</sup>

### Ile. Policy Choice

Section II concludes by examining the various policy choices made by Canberra with respect to the establishment and use of a 200-mile fishing zone. A number of questions will be addressed, including: did the Australian Government finally decide to establish an extended fishing zone; if so, for what policy objectives did Canberra seek to use its increased bargaining leverage over the DWFS - to promote the interests of the local fishing industry and/or to promote other economic (or political) interests; and, most importantly, did the Government decide to use its leverage over foreign access as an

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1. See, for example, 'Fishing Zone Committee Established' *Professional Fisherman*, December, 1978.

2. It will be noted in sub-section IIIb, however, that during the latter stages of the Australia-Japan fisheries negotiations the private sector was, through its participation in the Consultative Committee on Relations with Japan, able to more directly communicate its views to Government on the question of linkage diplomacy involving the AFZ.

instrument to gain trade-offs in the secondary issue area in its impending fisheries negotiations with Japan? As in the previous subsection, the analysis will be divided into two parts: the first considers those policy decisions dealing specifically with fisheries matters; and the second considers those policy choices that might have been made with respect to trade-offs involving other issue areas.

At quite an early date, Canberra made clear its intention to establish an extended fishing zone. On 16 August, 1977 - some two weeks before the Port Moresby Declaration where, it will be recalled, the member nations of the South Pacific Forum each declared their intention to legislate to establish a 200-nautical mile fishing or exclusive economic zone as soon as possible - the Australian Minister of Foreign Affairs announced that the Commonwealth Government had taken the decision to extend Australia's fisheries jurisdiction to 200 miles. He also noted that appropriate amendments to the Fisheries Act 1952 and related legislation were being drafted.

On 13 April, 1978, the Australian Government introduced legislation to Parliament providing for the extension of the country's fisheries jurisdiction. Following passage through the House of Representatives and the Senate, the Fisheries Amendment Bill, 1978, received Royal Assent by the Governor General on 24 August, 1978. But no firm date had yet been fixed for the establishment of the Australian Fishing Zone.<sup>1</sup> It had been decided that, following completion of certain administrative preparations then in hand in the Department of Primary Industry, the Minister (for Primary Industry) would recommend to the Governor-General in Council that he proclaim commencement of the Fisheries Amendment Act with effect from a particular date. When the Governor General had proclaimed commencement, the Minister for Primary Industry would announce the date from which Australia's 200-mile zone took effect. Throughout this preparatory period, and subsequently, it was expected that negotiations would take place with DWFS concerning the terms and conditions of foreign access to the zone.

In essence, the Act followed the format adopted by New Zealand in its fishing zone legislation - which in turn followed closely the set of generally-agreed principles laid down in the ICNT. The major clauses of the Act will be briefly examined. The heart of the Act

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1. Although Clauses 2 and 25 of the Bill provided for the closing of the Gulf of Carpentaria to foreign fishermen immediately the Bill received Royal Assent.

was the creation in Clause 3(a) of an Australian fishing zone which replaced the former declared fishing zone, and by virtue of which Australian fisheries jurisdiction was extended from the existing 12 to 200 miles. Within this zone Australia would have exclusive jurisdiction over the fishing activities of both Australians and foreigners. Certain waters, however, were excluded from the zone - including those areas where the Australian zone overlapped with that of another country. Provisions were made: for the licensing of foreign vessels permitted to operate in the zone, with respect to access for these vessels to Australian ports, and with respect to the conditions under which licences would be granted.<sup>1</sup> There was also provision in Clause 9(c) for the making of regulations prescribing fees for the issue of licences to fish within the AFZ. The Act also gave effect to provisions in the ICNT regarding punishment for offences committed by foreigners in the 200-mile zone.<sup>2</sup>

When Sinclair introduced the Bill into Parliament he noted that Australia had certain obligations with respect to management of its fish resources to ensure their proper conservation and utilisation. (These objectives were laid down in what became Clause 5(b) of the Fisheries Act.) In brief Australia would - to give effect to its obligations - have to assess the resources of the AFZ and determine the amount of allowable catch that was capable of being caught by Australians, and allocate to foreign countries any available surplus.

But Sinclair was quick to point out that 'Australian fishermen need have no fear that the declaration of the 200-mile zone holds anything for them but advantages.'<sup>3</sup> He then went on to note how the zone would help to promote the rapid and efficient growth of the Australian fishing industry. First, the legislation provided the means for 'exercising an extensive and effective control over any foreign fishing activity within the zone'. This meant that the fish resources which the Australian industry had the capacity to exploit fully 'would be set aside for the benefit of that industry'. Second, the Government by regulation could require the provision of information concerning the 'undeveloped or unknown fisheries which may be developed or discovered by foreigners within the AFZ'. (No doubt, Sinclair was

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1. See *Fisheries Amendment Act 1978*, Clause 9.

2. See Clauses 11 to 23.

3. Sinclair in the House of Representatives, 13 April, 1978, *Hansard*, p.1515.

here referring to feasibility fishing ventures.) The Minister claimed that 'Such information will enable Australians, if they so desire, to develop quickly the expertise and equipment to exploit such fisheries.'<sup>1</sup>.

Elsewhere, the Minister (and other Commonwealth officials responsible for fisheries) reassured the fishermen that the interests of their industry would be both protected and promoted under the new jurisdiction. The Acting Minister for Primary Industry advised AFIC that new overseas market outlets for Australia's fish products might follow from the establishment of the 200-mile zone.<sup>2</sup> The Government also gave assurances with respect to the policing and surveillance aspects of fisheries management in the AFZ. It was claimed that, with the introduction of the 200-mile zone, the detection and apprehension of illegal vessels would be made easier by the self-policing aspects of licensing individual foreign vessels. In addition, there would - it was claimed - be flag-enforcing capabilities within the provisions of fisheries agreements to be negotiated with other countries.

When addressing the AFC in early November, 1978, Sinclair stated

'It is the Commonwealth's intention to maximise for Australia and Australians the benefits to be achieved from the development of the 200-mile fishing zone. *One of our main objectives will be to ensure Australian participation in that development to the greatest possible extent.* This may necessitate giving some incentive to induce Australian industry to move into new areas not currently fished by Australians. It also raises, of course, questions concerning the utilisation of a greater catch, the development of new products, as well as development of markets within and outside Australia. I have asked my Department to examine specific measures to increase Australian participation in the development of the zone...'<sup>3</sup>.

In fact, the Government could point to several recent initiatives that were designed to assist increased Australian participation in development of the zone. In April, 1978, the Federal Government relaxed

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1. *Ibid.*, p.1517.

2. See E. Adermann *op.cit.*

3. Sinclair speaking to 8th Meeting of AFC, Canberra, 10 November, 1978. Present author's emphasis.

its import controls on second-hand fishing boats. In July that year, the Minister for Transport (Peter Nixon) gave details of a major new programme to upgrade Australia's coastal surveillance and enforcement capabilities. The programme included extension of aerial surveillance by RAAF long-range maritime patrol aircraft to cover the AFZ, and an increase from seven to nine in the number of RAN patrol boats directly available for civil surveillance.<sup>1</sup> Further, the Minister for Science (Senator Webster) announced that the 1978-79 budget had allocated a sum of \$700,000 for CSIRO and the Department of Primary Industry to carry out research and support in monitoring fisheries resources in the AFZ.<sup>2</sup>

However, the Australian Government made few public comments concerning the specific 'fisheries' concessions it sought to extract from Japan in the forthcoming fisheries negotiations. There was, for example, no evidence to suggest that the Government intended to act on the recommendations of the local fishing industry by: one, threatening that if Tokyo did not relax its restrictions on imports of Australian fish onto the Japanese market then Japanese fishing vessels would be denied access to the AFZ; or, two, demanding that Japanese tuna longliners should no longer operate within the zone from the 30th parallel southward.

In fact, it appeared that rather than taking a firm line against Japan in the impending negotiations, Australia had decided to be relatively generous towards the Japanese fishermen. Most significantly, the Australian Government had decided that, of the various countries which wished to participate in the AFZ, it would negotiate first with Japan. As one interviewee put it, Japan was to be given 'first bite at the cherry'. Government spokesmen argued that Japan was thus chosen because its fishing vessels had long been operating in Australian waters. Purnell-Webb explained

'The Government has chosen to deal first with countries that already had a fishing presence within 200 miles of Australia. Japan was an obvious first choice. Next in line are any of our ASEAN neighbours wishing to seek access for their fishing

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1. See the article 'Keeping a Closer Watch On the Coast' *Australian Fisheries*, September, 1978, p.p.26-7.

2. 'CSIRO to Study Fish Stocks in 200-Mile Zone' *Australian Fisheries*, October, 1978, p.33.

vessels and after that we will meet with other countries.<sup>1</sup>

There was, however, reason to suspect that there were other factors which motivated Canberra to put Japan at the head of the list. The critical observer might have been excused, in late 1978, for believing that the Australian Government had decided - in the upcoming fisheries negotiations with Japan - to offer the Japanese generous treatment in the area of fishing in return for concessions from the Japanese in other issue areas. The local fishermen, in fact, were convinced that this was the case. Shortly after the negotiations between Australia and Japan got underway, Connell voiced his concern that the interests of the Australian fishing industry might be 'discarded in under-the-counter deals by the Government'.<sup>2</sup> He warned the Minister that his industry would not tolerate trade-offs where fishing rights were exchanged for concessions from the DWFS involving primary produce.

At this early stage, however, it was difficult to prove that the Government *had* decided to adopt a trade-off strategy against the Japanese. Since early 1978 Sinclair had been very quiet on the subject of linkage diplomacy. Further, no other Government official had indicated that Canberra would be seeking concessions outside fisheries in the forthcoming discussions. But the public silence on this matter did not, of course, necessarily mean that the Government had rejected this strategy. As noted above, there were several important reasons why the Government would not have wanted to broadcast the adoption of such a bargaining strategy. Most importantly, the Fraser Government had frequently disavowed 'resources diplomacy' as a discredited device of the former Labor administration. Further, the Government might not have wanted to signal its intentions to the Japanese before the negotiations actually began. Nor might Canberra have wished to embarrass unduly the Japanese Government by publicly announcing its intention to follow Muldoon's example in the fisheries negotiations. Again, the Government would not have wanted needlessly to alienate the local fishing industry by loudly proclaiming the virtues of linkage diplomacy in this area.

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1. E.A. Purnell-Webb, September, 1979, *op.cit.*, p.5.

2. Quoted in Ian Reinecke, 1 December, 1978, *op.cit.*



It was not long, however, before the true nature of Australia's policy position with respect to linkages was revealed. As the negotiations progressed, a large number of leaks to the press indicated that the Australian Government had indeed adopted a trade-off strategy.<sup>1</sup> A small sample of these press reports follows.

In December, 1978, Brian Toohey of *The Australian Financial Review* noted how the negotiations between Australia and Japan had reached an impasse. He noted that

'According to Canberra sources, the Japanese are objecting to signing an exchange of letters in which the fishing rights are supposed to be seen as part of the overall economic relationship with Australia. Apparently Japan feels that this general clause could be used later by Australia to demand greater access for its beef in a similar way to New Zealand's trade-off of its fishing rights for butter.'<sup>2</sup>

This respected newspaper gave further credence to the Toohey article by issuing an Editorial the same day, titled 'Locking in Your Best Customer'. There it was observed

'In negotiating Japanese access Australia wants it recognised as part of the overall economic relationship. The Japanese, in turn, have baulked at this seemingly innocuous proposal, seeing it possibly as an attempt to screw a beef for fish trade-off deal in the same way as the New Zealanders'.

Throughout the negotiations, similar press stories emerged. In July, 1979, the *Professional Fisherman* claimed 'At this stage it seems that the Japanese are proving difficult to negotiate with on any form of fish or other rural product trade-off of access to the Japanese market.'<sup>3</sup> Again, in September that year, Susan Woods noted

'The main bone of contention in the talks was Japan's unwillingness to take part in any form of "trade-off" involving access on the Japanese market for either Australia's fishing

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1. These press reports exactly corresponded with information provided to the author in Tokyo, October, 1978, by several senior members of the Japanese negotiating team, just returned from Canberra after the initial round of negotiations. The accuracy of these reports was also checked in the course of numerous interviews conducted with different officials in Australia involved in the negotiations.

2. Brian Toohey 'Japan Fishing Talks Impasse' *The Australian Financial Review*, 27 December, 1978.

3. 'Japanese Access Talks Bog Down' *Professional Fisherman*, July, 1979,

products, or any rural commodity,  
in return for Japanese access  
to Australian waters.<sup>1</sup>

The interviewees were unanimous in their belief that Australia was not seeking any *specific* trade-offs with Japan, as had New Zealand in its negotiations with that country. Australia's exercise of linkage diplomacy was a much more muted, subtle, low-key affair. Whilst it will be demonstrated in Section III that Australia had - in the initial rounds of the negotiations - tried to persuade Japan to make concessions on the beef trade issue within the MTN, this linkage was not made in specific terms. Australia's negotiating position in this area went no further than that adopted by Wellington in the earliest stages of New Zealand's fisheries, and related, discussions with Japan. The formula adopted by Australia was one of 'while Australia appreciates Japan's concern about fisheries access, Japan should also appreciate Australia's concern over beef access.'

In brief, Australia had obviously decided before entering into the fisheries negotiations with Japan not to push too strongly for specific trade-offs. There was to be no repeat of the so-called 'fish-for-beef deal' concluded in 1976/77. (Although, of course, the Japanese were not aware of this.) It has been suggested by a number of interviewees that Canberra's relatively moderate policy position with respect to the use of its bargaining leverage over fishing access reflected the deep divisions among Australia's decision-makers. The final policy choice concerning linkage diplomacy represented a compromise between the 'hawks' who favoured very strong, specific, linkages and the 'doves', who were against any form of trade-off.

It was, in late 1978, probably too early to determine whether Australia had, in its policy choices with respect to the establishment and use of the AFZ, decided to sacrifice in some way the local fishing industry in favour of other sectional interests. (This could only be completely assessed at the conclusion of the negotiations with Japan.) But, from what has been written above, the Australian fishermen had reason to view with concern the coming negotiations.

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p.3. It will be noted in sub-section IIIb, that by mid-1979 the Australians were more strongly pushing for concessions from the Japanese with respect to market access for Australia's fish exports.

1. Susan Woods 'Proclamation of 200-Mile Fishing Zone' *The Australian Financial Review*, 24 September, 1979.

### III. POLICY IMPLEMENTATION

This final section of the case study focusses on the implementation stage of the policy process following Australia's decision to establish a 200-nautical mile fishing zone and to enter into fisheries negotiations with the DWFS. Particular emphasis will be given to the fishing access negotiations between Australia and Japan in 1978-79. It will be recalled that this section is divided into three sub-sections: Pre-Bargaining Exchange, Bargaining Exchange, and Bargain Outcome. The first two sub-sections present, chronologically, the background to the bargaining process against which those factors which might affect the final outcome are examined. The third sub-section treats with the bargain outcome itself, and determines what Australia managed to obtain in the way of concessions from Japan in the fisheries (cum trade) negotiations. Attention is focussed on two major questions: first, to what degree were Australia's attempts at linkage diplomacy in this area successful; and, second, how was the final outcome affected by the attitudes and roles of the various actors in the three different issue area categories listed in Section I?

#### IIIa. Pre-Bargaining Exchange

It was argued in the analytical framework that the perceptions, tactics, and ultimate success of some party involved in negotiations with another will be in part determined by its experiences (if any) in previous similar bargaining exchanges. These former exchanges will probably have given each side the chance to assess the various sensitivities and vulnerabilities, bargaining skills, commitment, will and credibility of the other. This sub-section, therefore, examines the past record of bilateral negotiations between Australia and Japan.

The substantial and complex economic relationship existing between the two countries has, over the years, given both Canberra and Tokyo ample opportunity to assess the bargaining strengths (and weaknesses) of the other. A number of serious trade disputes in the early and mid-1970s precipitated a series of protracted negotiations between Australia and Japan, often involving private interests and Governments on both sides. These exchanges served to remind Australians just how tough and experienced the Japanese were at negotiating. The Japanese, in their turn, came to realise that the Australians were also developing their bargaining skills. Where once individual Australian exporters had allowed themselves to be 'picked off' one

at a time by Japanese negotiators acting on behalf of an entire industry, by the mid/late 1970s this situation was encountered less frequently. In many trade areas, Australian exporters, and State and Commonwealth Governments had developed a system of consultation among themselves to formulate a bargaining strategy before the negotiating process got underway.<sup>1</sup>

Of greater significance here, however, is what these two countries had learned from the negotiations of 1976-77, when Australia had linked the question of beef exports to Japan with the port access issue. In the absence of any public assessments in this area by either Canberra or Tokyo, the present analysis represents a personal appraisal by the author following a number of interviews with officials (both Japanese and Australian) who had been involved in this previous round of fisheries negotiations.

In 1976-77 the Australian Government had demonstrated that it possessed the necessary political will, commitment, and capacity to make a credible threat against Japan. While it has been suggested<sup>2</sup> that Australia failed to obtain much in the way of concessions from Japan at that time, the point was that Tokyo *had* agreed to accept the linkage between the beef and port access issue areas. In exchange for an extension to the port access agreement, the Japanese increased their beef import quota for the next six months period (as well as providing further technical assistance to the Australian fishing industry).

There is little doubt that the lessons of this previous experience were still fresh in the minds of the Japanese when - less than two years later - they entered into negotiations with Australia on the question of fisheries access. They were probably aware that the principal architects of Australia's prior exercise of linkage diplomacy involving fishing access still held office in Canberra. No doubt, Tokyo had also taken note of Sinclair's repeated threats in 1977 and 1978 to use Australia's bargaining leverage over access to the zone to gain concessions from Japan in the beef issue area. The credibility of such threats must, in late 1978, have been particularly strong following Japan's recent negotiations with New Zealand, where

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1. See, for example, the Report of the Ad Hoc Working Committee on Australia-Japan Relations, *op.cit.*, p.p.117-9.

2. See Susan Bambrick 'Facing Skilful Negotiators' *Mining Review*, February, 1977, p.p.1-3.

similar linkages had been made. The Japanese might, however, have believed that in the forthcoming round of negotiations with Australia they had one important advantage - namely, their experience over the past year or so in concluding a number of agreements with other countries for 200-mile zone access. Australia had no such experience in this area.

The Australian Government, for its part, probably perceived that its bargaining leverage over Japan was - in late 1978 - perhaps greater than it had been on the eve of the previous round of access negotiations. The 1976/77 negotiations, and the recent New Zealand/Japan Fisheries Agreement, had demonstrated that the Japanese would - under certain conditions, and if very reluctantly - be prepared to link fishing access with other issues. Further, the establishment of 200-mile zones in many other parts of the world over the past two years appeared to have increased Japan's sensitivity/vulnerability to coastal state pressures. Australia, for example, now had a number of DWFS (including the Soviet Union, South Korea, and some East European countries) bidding to fish in the AFZ. Canberra could, perhaps, play off these different DWFS against each other to obtain the best possible concessions in return for fishing access. It was also suggested to the author that Canberra had assessed that while its lack of negotiating experience in this area (that is, with respect to 200-mile zones) might be a handicap in the coming negotiations with Japan, it need not be a very serious handicap. To offset its lack of bargaining expertise, the Australian Government had decided that the negotiations with Japan were to proceed unhurriedly - free of any urgent time constraints.

### IIIb. Bargaining Exchange

The following paragraphs examine the fisheries negotiations held between Australia and Japan over the 13-months period September 1978 to October 1979. The sub-section is divided into two parts. The longer first part traces, chronologically, the course of the negotiations, and focusses on the various issues that were raised. Particular emphasis will be given to the concessions that Australia sought to extract from Japan in exchange for fisheries access, and Japan's reaction to these proposals. The second part examines the respective roles and influence of the different actors in Australia directly involved in the negotiations. Attention will also be drawn to the part played by those other actors in Australia who may have sought to influence their country's negotiating position - particularly with respect to the question of linkages across different issue areas.

As indicated in sub-section IIe., Australia very early in the negotiations made it clear that the discussions would not be confined to fisheries matters. The Japanese were left in no doubt that Australia wanted some concessions with respect to agricultural products within the MTN as a prior condition of access to the AFZ. It should be emphasised again, however, that Australia was not seeking specific trade-offs of the kind sought by Muldoon in New Zealand's fisheries negotiations with Japan (nor, indeed, of the kind sought in the 1976/77 'port access-for-beef' negotiations), but was looking for a broader, less precise, package of concessions.

Probably one of the most detailed public statements on Australia's negotiating position in this area was made by Purnell-Webb in August 1979. In answer to a question from a participant at the Fishexpo '79 seminar concerning the extent to which the current fisheries negotiations with Japan revolved around total trade packages, the Director of the Fisheries Division replied (and he is quoted at length)

'I think the short answer to your question is that there is no element of the negotiations which could be characterised as a trade-off of fish or any other commodity. Let me amplify that a little and say that when you get countries with trading relations and other relations which exist between countries like Japan and Australia, it would be idle to suggest that the negotiations do not take place against the total relationship between the two countries; that when you are negotiating a fishing agreement the negotiators on the Australian side of the table, and I am sure on the Japanese, *are acutely conscious that in another area multilateral trade negotiations are going on* [present author's emphasis], that meetings are coming up in other areas of the total relationship between us. In saying that, what I wish to make clear is that is the only extent to which there is any relationship between fisheries negotiations and other trading relationships. Nobody has suggested on their side, and it would certainly be rejected on our side, that a certain quantity of fish should be made available in return for access for some

other agricultural, or other, products to the Japanese market. That is not on and has not occurred.<sup>1</sup>

It should be noted, of course, that Purnell-Webb was speaking as Director of the Fisheries Division (DPI) before an audience drawn largely from the fishing industry. It is difficult to agree with his concluding remarks, which were obviously intended to reassure the fishermen. There is little doubt that if Japan had offered Australia very generous concessions with respect to beef and other agricultural products in exchange for generous access to the AFZ, the Australian Government would have accepted. (And, as the following pages demonstrate, it appears that some trade-offs of this kind *had* occurred in the negotiations.) Further, Purnell-Webb neglected to mention that some members of the Australian negotiating team had clearly indicated to the Japanese their desire to link the question of fishing access to progress within the MTN.

Predictably, the Japanese were much opposed to, and alarmed at, Australia's linkage strategy. As mentioned above, the Japanese early in the negotiations strongly objected to signing an exchange of letters in which the fishing rights were supposed to be seen as part of the overall economic relationship with Australia. The Japanese must have feared that Australia intended to be as tough in *its* negotiations with them as had New Zealand, and wondered whether Australia would start to seek more specific concessions in the discussions.

It appears that the Japanese were determined not to repeat the 'mistakes' they had made in their negotiations with New Zealand. As one senior member of the Japanese negotiating team put it to the author in late 1978, there was to be 'no statement in the Australia-Japan Fisheries Agreement similar to that laid down in Article X(3) of the New Zealand-Japan Agreement'. This official noted that Japan's 'generosity' towards New Zealand was prompted by a recognition that the New Zealand economy was, indeed, in trouble. This situation, he stressed, did not apply in the case of Australia. Further, he added, Australia was a 'lucky country' possessed of great mineral wealth. He argued that Australia was merely being 'greedy' by using its bargaining leverage over fishing access to gain concessions outside fisheries from Japan. This official further observed that if Australia wished to make the linkage between fishing access and bilateral trade,

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1. From the debate following the presentation of E.A. Purnell-Webb's paper to the Fishexpo '79 Seminar in Perth, 27 August, 1979.

then - if this linkage were to be applied honestly and fairly - Japan should expect 'almost a monopoly position within the AFZ', for Australia had a very favourable balance of trade with his country.

Throughout the negotiations, the question of trade-offs involving fishing access and other issue areas provided a major source of contention between the two sides. However, the focus of this debate underwent a shift in early 1979. In April, the Tokyo Round of the MTN was concluded. As will be detailed in the next sub-section, the Japanese had there made *some* concessions with respect to the trade in agricultural products - particularly beef. These concessions were considered generally satisfactory by the Australian Government, and it was apparently decided by Canberra that Australia would not obtain any more from Japan on the beef issue. The Australian side, however, continued to pursue the linkage strategy by trying to pressure the Japanese into signing an exchange of letters in which fishing rights were viewed as part of the overall bilateral economic relationship. After much debate - including lengthy discussions concerning the meaning of certain key words - the Japanese agreed to an exchange of letters which became part of the final agreement. (This subject is taken up again in sub-section IIIc.) The relatively moderate terminology used in these letters indicated that Australia had backed down considerably on the question of trade-offs compared with its position early on in the negotiations.

Considerable debate also centred around some of the concessions Australia sought in the narrower fisheries area - particularly with respect to licence fees and fish market access.

The Japanese were said to have objected both to the level of fees initially proposed by the Australian side, and to the manner of their collection. It has not proved possible to determine the fees originally demanded by Canberra, but apparently they were much higher than those finally agreed upon. On the question of payment of fees, the Australian negotiators had suggested that the Japanese Government might pay the licence fees, and then seek reimbursement from the Japanese fishermen licensed to fish in the AFZ. An article in *Australian Fisheries* quoted a Japanese Embassy spokesman as saying

'The licence fees will be paid by the Japanese fishing industry, not by the Government, so from our point of view the fee should be at a reasonable level which the industry



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is able to pay. However, the Australian requirement is too much beyond that level. I can say the fees requested by Australia are more than 10 times the amount we are prepared to pay.'<sup>1</sup>.

Another area of contention in the negotiations was Australia's attempts to obtain unrestricted access for its fish products on the Japanese market. At first glance, it might appear that Australia's bargaining position in this area was relatively modest. First, Australia had indicated that it was not seeking specific concessions from Japan in this area, but was rather seeking from Japan an agreement in principle to remove its restrictions on fish imports. As Purnell-Webb put it

'In bilateral negotiations, especially with Japan, we have pressed for assurances of access to markets for Australian fish and fish products. This does not mean a guarantee that Australian product (or a certain quantity of it) will be sold on that particular country's markets. What we seek to ensure is that if Australian product meets a country's standards then Australian commercial interests will have the opportunity to compete commercially and equally with others. In short, we won't be shut out by barriers, whether they are tariff or other barriers.'<sup>2</sup>.

Second, the Australian Government had decided not to take the extreme position with respect to market access recommended by AFIC - namely, that those DWFS which were not prepared to accept unrestricted imports of Australian seafoods into their markets should be denied access into the AFZ. While recognising that this strategy had been adopted by some other coastal states, Purnell-Webb stressed 'We have not given any thought to it as an active piece of negotiating at the present time.'<sup>3</sup>.

It will be noted later that the Australian fishing industry was very critical of their Government's stand on the fish market access question. At the conclusion of the negotiations with Japan, it was

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1. Quoted in 'Declaration of 200-Mile Zone Delayed' *Australian Fisheries*, May, 1979, p.2.

2. E.A. Purnell-Webb, September, 1979, *op.cit.*, p.6.

3. E.A. Purnell-Webb, in the discussion following his paper given at the Fishexpo '79 seminar held in Perth, 27 August, 1979.

claimed that Canberra had 'passed over a golden opportunity to trade off fishing rights in Australian waters in return for a lowering of [fish] import barriers'.<sup>1</sup> The fishermen, in fact, believed that the Government had adopted a 'soft' line with respect to fish market access as part of a deal with the Japanese for concessions in the beef export area.<sup>2</sup>

While it can be argued that Australia could have taken a tougher line against Japan in this area, it proved that even what Australia had demanded was too much for the Japanese negotiators. The latter argued that there were, in fact, few market restrictions on the fish which Australia currently exported to Japan. (It was pointed out that Japan's import quotas for fish were mainly designed to regulate the trade with northern hemisphere fish exporters.) While it was admitted that there were restrictions on squid, it was noted that Australia as yet exported very little of this product. As in their fisheries negotiations with New Zealand, the Japanese negotiators claimed that they could not give preferential treatment to Australia in this area. They argued that no concessions with respect to fish market access could be made outside the MTN.

The search for a compromise on these, and other, issues prolonged the negotiations themselves into four sessions,<sup>3</sup> totalling 120 days, over a period of twelve months. There were, however, other reasons for the protracted nature of the negotiations. One of these was Australia's decision not to establish the AFZ until after it had concluded a fisheries agreement with Japan.<sup>4</sup> The Japanese obviously felt that there was no great urgency to reach an agreement with Australia while their fishing vessels were still able to fish off that country without payment of licence fees. Another factor accounting for the slow progress towards an agreement was the negotiating style of the Australians. (This subject will be treated more fully later.)

The two sides finally reached agreement in September, 1979. All that remained was ratification and signing of the agreement by both Governments. At the last moment, however, a major row had developed in

1. See 'AFZ Entry Terms Storm "Taken to the Cleaners"' *Professional Fisherman*, November, 1979, p.1.

2. *Ibid.*, p.1.

3. The four sessions covered the periods 18 September-10 October, 1978; 11-15 December, 1978; 19 February-16 March, 1979; and 29 May-mid-August, 1979.

4. Although one interview suggested to the author that there were limits to Australia's patience in this area. Had the negotiations been delayed much longer, Australia would (he felt) have established the AFZ even without agreement with Japan.

Australia which placed the signing in jeopardy.

It will be recalled that in late 1978 the Game Fishermen's Association had voiced their concern to the Prime Minister over the way in which Japanese tuna longliners were allegedly harming the stocks of black marlin, particularly in the north Queensland grounds. Again in July, 1979, the game fishermen expressed strong opposition to Japanese longline operations, and sought a wider exclusion of Japanese tuna longliners than the proposed buffer zone of 12 miles seaward from the eastern edge of the Great Barrier Reef. The Commonwealth Government replied that

'it would not accord with Australia's international obligations to exclude the Japanese from any wider areas of the Coral Sea, given Japanese fishing activities in the area for over 20 years without detriment to tuna and marlin stocks.'<sup>1</sup>.

The fishermen would not accept this argument, and urged the Government to change its mind. By early October (1979) the row had developed to the point where it threatened to damage Australian-Japanese relations. Federal Opposition backbenchers were claimed to have charged that 'the new agreement could cause the most bitter racial tensions since World War II'.<sup>2</sup> Fishermen in Cairns warned the Minister for Primary Industry that if the Government did not back down they would 'sail into the Japanese fleet and use guns if necessary to stop them fishing.'<sup>3</sup> Following meetings between the Minister and the game fishermen, it was announced by the Government that a working committee was to be set up to closely monitor and collate information during the proposed one-year Australia-Japan fisheries agreement. There was also to be a detailed study of the effects of Japanese longline fishing activities. The Government also promised to seek early consultations with the Japanese to examine the necessity or otherwise of an additional area off Cairns from which longline fishing vessels would be excluded in the future. Nixon also reminded the fishermen of the 'significance of having an agreement between Australia and Japan, and the positive gains to Australia in reaching the agreement.'<sup>4</sup> While these assurances were not enough to completely remove doubts in the minds of the game

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1. Revealed by Peter Nixon (the new Minister for Primary Industry) in the House of Representatives, *Hansard*, 14 November, 1979, p.3051.

2. See Brian Botton 'Marlin War' *The Daily Telegraph*, 17 October, 1979.

3. *Ibid.*

4. See 'Marlin Study in Long-line Areas Off Queensland' *Australian*

fishermen, the latter withdrew their opposition to the signing of the fisheries agreement.

On 17 October, 1979, the Agreement on Fisheries Between the Government of Australia and the Government of Japan (the Head Agreement) and the Subsidiary Agreement Concerning Japanese Tuna Long-Line Fishing were initialled in Canberra. On 1 November, 1979, the Australian Fishing Zone came into operation.

It remains now to identify the actors most significantly involved in the negotiations. Emphasis will be given to those actors who were members of the Australian negotiating team, their attitudes towards the use of linkage diplomacy in the negotiations with Japan, and the influences on them of other actors in Australia - politicians, bureaucrats, and those from the private sector - having an interest in the bargain outcome.

The roles and responsibilities of the Australian negotiators differed in some important respects from their Japanese counterparts. The Japanese negotiating team comprised officials from various Government departments who were very much in control of the negotiations themselves. They were left to negotiate with Australia relatively free of interference from their respective political masters. (In fact, it was claimed by one official in the Japanese Embassy in Canberra that the Japanese Cabinet did not see the Fisheries Agreement until it was ready for signing.) The Japanese officials were, however, advised by a number of representatives from Japanese fishing companies who travelled to Canberra for the negotiations. The Australian negotiators, on the other hand, had much less control over the course of the negotiations. Reflecting the decision-making style of the Fraser Government, they were closely supervised by Cabinet throughout the negotiations. (As the official from the Japanese Embassy put it to the author 'The Japanese team should have been negotiating with the Australian Cabinet'.) Sinclair had responsibility for 'fine-tuning' of the negotiations, but even this Minister could make no major decisions by himself and had to refer back to his Cabinet colleagues. The Australian side also differed from the Japanese by having no observers from the fishing industry sitting in on the talks. The latter were merely kept informed of progress being made during the negotiations.<sup>1</sup>

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*Fisheries*, December, 1979, p.p.13-14.

1. It will be noted later how the Australian commercial fishermen were bitterly critical of their lack of participation in the negotiations.

It appears that Australia's negotiating position was not internally coherent. A number of interviewees claimed that there was not a great meeting of minds either within Cabinet or among different Government Departments over the question of pursuing a linkage strategy against Japan. It has been suggested that there were 'hawks' on one side, and 'doves' on the other, regarding how far Australia should go in trying to extract non-fisheries related concessions from Japan in the negotiations.

With respect to the Ministers, it proved impossible to determine accurately who were the 'hawks' and who were the 'doves' during the negotiations.<sup>1</sup> But from what has been said in Section II above, it would appear that (at least in the initial stages of the negotiations) Fraser, Anthony and Sinclair belonged in the former category, and possibly Peacock in the latter. Several interviewees, however, suggested that as the negotiations progressed the policy position of some Ministers - again unidentified - underwent a shift from 'hawkish' to 'dovish'; or vice versa. (It was, for example, claimed that some Ministers adopted a more moderate position with respect to trade-offs for fear of alienating their opposite numbers in the Japanese Cabinet.)

It proved much easier to identify the bargaining stance of the Government officials on the Australian negotiating team. There was unanimous agreement among the interviewees (both Australian and Japanese) that it was representatives from the Departments of Trade and Resources and Prime Minister and Cabinet who most strongly pushed for trade-offs across different issue areas in the negotiations,<sup>2</sup> and officials from Fisheries Division who were keenest to limit the discussions to fisheries matters.

In addition to those politicians and bureaucrats mentioned above, there were many other actors in Australia who played a less direct role in the negotiating process. Many of these attempted to influence the bargain outcome by communicating their policy preferences - including their attitude towards linkage diplomacy - either to Cabinet Ministers or to Government Departments most deeply involved in the negotiations with Japan.

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1. This subject was clearly too sensitive for those Government officials interviewed by the author, for they were unprepared to identify the positions of different Ministers with respect to linkage diplomacy during the negotiations.

2. It appears, however, that some officials at least from Trade and Resources and Prime Minister and Cabinet (as well as from Foreign Affairs,

Throughout the negotiations the commercial fishermen made known what they hoped to obtain from the negotiations. Time and again<sup>1</sup>, they reminded Canberra that Australia's bargaining leverage over foreign fishing access should be used to promote the interests of the local fishing industry. They were strongly opposed to any sign of 'under the counter' deals involving trade-offs linking fishing rights with concessions in the beef trade area. These general concerns of the industry were communicated by AFIC to the Minister for Primary Industry, to senior officials in Fisheries Division (DPI), and publicly in the media. The special concerns of the Tuna Boat Owners Association and the Game Fishermen's Association were transmitted through the same channels.

Those private actors in the secondary issue area - most prominently, the beef producers - were (in contrast with the period from late 1976 through to mid-1978) publicly silent on the question of trade-offs involving the AFZ during the fisheries negotiations with Japan. There are several possible explanations for this. First, as noted above, the overall beef export situation had improved considerably in mid-1978, and the cattlemen probably no longer felt the need to push strongly for linkage diplomacy. Second, it is possible that Sinclair and Anthony had privately assured the farmers' representatives that the Government would seek concessions in the agricultural trade area from Japan in the fisheries access negotiations. Third, after the conclusion of the Tokyo Round of the MTN in early 1979, the Australian beef producers probably decided that no further concessions in this area were likely to be obtained from the Japanese over the short-term.

It is interesting to note that those private actors in the 'other issue area' category were also publicly silent on the question of linkage diplomacy during the Australia-Japan fisheries negotiations. There is, however, some direct evidence and a substantial weight of circumstantial evidence to suggest that, in fact, these actors *did* communicate their concern about trade-offs involving foreign fishing access and other issue areas privately to Cabinet.

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and Fisheries Division, DPI) were concerned about the possible danger of linkage diplomacy adversely affecting the total relationship with Japan. Some interviewees claimed this concern was expressed in submissions to Cabinet during the fisheries negotiations with Japan.

1. See, for example, Ian Reinecke, 1 December, 1978, *op.cit.*; and 'Fishing Industry Wary Over 200-mile Negotiations' *Australian Fisheries*, January, 1979, p.29.

It will be recalled from sub-section IIc. that, in 1977, an Ad Hoc Working Committee on Australia-Japan Relations had produced a Report which strongly advised the Prime Minister 'that attempts to engage in "resources bargaining" with Japan should be regarded with great caution.'<sup>1</sup> It will further be recalled that this Committee broadly represented the actors in the 'other issue areas' category.

In response to one of the major recommendations in this Report, the Government established sometime in 1978 a Consultative Committee on Relations with Japan (CCRJ) charged with the responsibility of giving advice to Cabinet on various aspects of the relationship - particularly on matters of trade - with Japan. The first major issue addressed by the CCRJ was the fisheries negotiations with Japan.

Significantly, no less than six of the eight members of the Ad Hoc Working Committee on Australia-Japan Relations (including Myer, Jackson and Agnew) were elected as members of the 16-strong CCRJ. Among the other members<sup>2</sup> was Sir Keith Shann, ex-Ambassador to Japan, and whose very strong opposition to resources bargaining had been demonstrated at the time of the 1976-77 'port access-for-beef' negotiations; and R.J. Madigan, Chairman of Hamersley Holdings - exporters of iron ore to Japan. It seems reasonable to assume, therefore, that the CCRJ, in its advice to Cabinet, would have warned of the dangers of linkage diplomacy against Japan. In fact, one interviewee claimed that the CCRJ had so warned the politicians during the negotiations.

There were other actors in Australia who had a keen interest in the negotiations with Japan. Among these was the State Government of Tasmania which was anxious to see a speedy conclusion to the negotiations, and the continued presence of Japanese fishing vessels in Australian waters. It will be recalled that Tasmania - whose economy was in some difficulty - had viewed the visit of Japanese longline vessels to the port of Hobart as a welcome source of revenues. The Tasmanian Government's concern in this area was communicated to the Commonwealth Government both before, and during, the negotiations with Japan.

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1. *Op.cit.*, p.134.

2. The 16 members of the CCRJ included: the Standing Committee, which comprised the Secretaries of the Departments of Foreign Affairs, Industry and Commerce, Trade and Resources, Treasury, Prime Minister and Cabinet, National Development, and Primary Industry; and nine other members, R.G. Jackson (of CSR - Chairman of the CCRJ), Sir John

### IIIc. Bargain Outcome

This sub-section examines the 'final' outcome<sup>1</sup> of the Australia-Japan fisheries negotiations of 1978-79. First considered will be the terms of the fisheries agreements signed on 17 October, 1979. Emphasis is given, on the one hand, to the concessions made by Australia with respect to Japanese fishing access to the AFZ and, on the other, to the 'price' paid by Japan for these concessions. Second considered are those other concessions not detailed in the fisheries agreements themselves that Australia might have extracted from Japan in exchange for fisheries access. (These concessions could be related to fisheries or to other issue areas.) The concluding paragraphs of sub-section IIIc. assess the total bargain outcome. Attention is there focussed on the fate of Australia's exercise of linkage diplomacy. Among other things, it will be determined whether Canberra's gains - if any - from Japan in areas unrelated to fisheries were made at the expense of the domestic fishing industry.

It will be recalled that the Australia-Japan fisheries negotiations of 1978-79 concluded with the signing of not one, but two, fisheries agreements - the so-called Head Agreement and the Subsidiary Agreement. The former (known by its full title as the Agreement on Fisheries Between the Government of Australia and the Government of Japan) provided the basis for Australia's future fisheries relations with Japan in the context of Australia's extended maritime jurisdiction. The respective rights and obligations of each party under this Agreement are now examined.

The preamble to the Head Agreement recognised that the Government of Australia

'exercises, in accordance with international law, sovereign rights for the purposes of exploring and exploiting, conserving and managing the living resources within the zone of 200 nautical miles off its coasts.'

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Crawford, R.D.G. Agnew, S.B. Myer, Peter Nolan, Sir Keith Shann, Sir Malcolm MacArthur (ex-chairman of the Australian Meat Board - who might normally be expected to favour 'fish-for beef' diplomacy), R.J. Kirby (Chairman, J.M. Kirby Pty. Ltd., manufacturers), and R.J. Madigan (Chairman, Hamersley Holdings).

1. In a sense it could be said that there is no final outcome, for the bargaining process is a continuing one where fisheries access agreements are re-negotiated regularly. However, as already noted in the New Zealand case study, this thesis has chosen to focus on the immediate outcome of the *initial* round of negotiations involving foreign fishing access to Australia's and New Zealand's extended fishing zones.



Article III noted that, in the exercise of these sovereign rights, the Australian Government shall determine annually: the total allowable catch for individual stocks or complexes of stocks; the portion of the total allowable catch for such stocks that will be taken by fishing vessels of Australia; and allocations, as and where appropriate, for fishing vessels of Japan of parts of surpluses of such fish stocks.

With respect to the latter provision, it was noted in the preamble to the Agreement that

'Nationals and fishing vessels of Japan have been engaged, for a considerable period of time, in the utilisation of certain living resources off the coast of Australia and have also made a contribution to the development of and research into such resources.'

In recognition of 'the desire of the Government of Japan that fishing vessels of Japan continue to pursue their interest in the utilisation of these resources' the Government of Australia agreed - in Article II - to permit fishing vessels of Japan to engage in fishing within the Australian Fishing Zone 'in accordance with the provisions of this Agreement'.

The Government of Japan, for its part, was expected among other things to: ensure that fishing vessels of Japan not engage in fishing within the AFZ unless licensed under the Agreement;<sup>1</sup> ensure that vessels so licensed comply with the provisions of the Agreement;<sup>2</sup> notify the Government of Australia of details of fishing vessels of Japan that wish to engage in fishing within the AFZ;<sup>3</sup> cooperate with the Government of Australia in the conduct of scientific research for the purposes of the effective conservation and optimum utilisation of the living resources within the AFZ;<sup>4</sup> and to make available to the Government of Australia statistical and biological information for the purposes of managing and conserving these resources.<sup>5</sup>

Article XII noted that the Agreement would enter into force on 1 November, 1979, and would remain in force for a minimum period of two years. It was also noted in Article II(2.) that the detailed

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1. Article IV (a.).
  2. Article IV (b.).
  3. Article VI (1.).
  4. Article VII (1.).
  5. Article VII (2.).

procedures for the conduct of fishing operations by Japanese fishing vessels within the AFZ and for the issuance of licences by the Government of Australia 'shall be provided for in subsidiary agreements between the two Governments'.

The first of these subsidiary agreements - the Subsidiary Agreement Between the Government of Australia and the Government of Japan Concerning Japanese Tuna Long-Line Fishing - was signed on the same day as the Head Agreement. Under this Agreement the Australian Government agreed to issue licences for Japanese tuna longline vessels, the number of which should not exceed 350, subject to payment of a fee of \$1.4 million. An Appendix to the Subsidiary Agreement listed the excepted times and areas where Japanese tuna fishing operations were excluded. (See Fig. 6.) These vessels were, however, permitted to take within the zone 'all species of tuna and bill-fish, together with all other species of finfish including oceanic sharks which are incidentally caught'<sup>1</sup> by the use of floating longlines, or by the use of hand-lines (except in certain specified areas). Article IV permitted the longliners continued use of the ports of Brisbane, Sydney, Hobart and Fremantle, and the use of an additional port - Albany (in West Australia). This Agreement was to enter into force on 1 November, 1979, and was to remain in force for a period of one year.

There were, in addition, a number of concessions made by Japan in exchange for access to the AFZ not detailed either in the Head Agreement or in the Subsidiary Agreement. First considered will be those concessions related to the fisheries issue area.

As part of the overall agreement, Japan confirmed that it would continue to provide technical assistance to the Australian fishing industry. The projects offered included: training of Australian nationals at Japanese institutions in the culturing of prawns, use of lightweight purse seines for jack mackerel, and the catching of prawns; studies into the commercial harvesting of octopuses; survey of squid resources by a Japanese research vessel; and examination of means of improving culture techniques of Tasmanian rainbow trout in sea water.<sup>2</sup>

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1. Article II.

2. See the statement by Peter Nixon in the House of Representatives, *Hansard*, 22 November, 1979, p.3435.

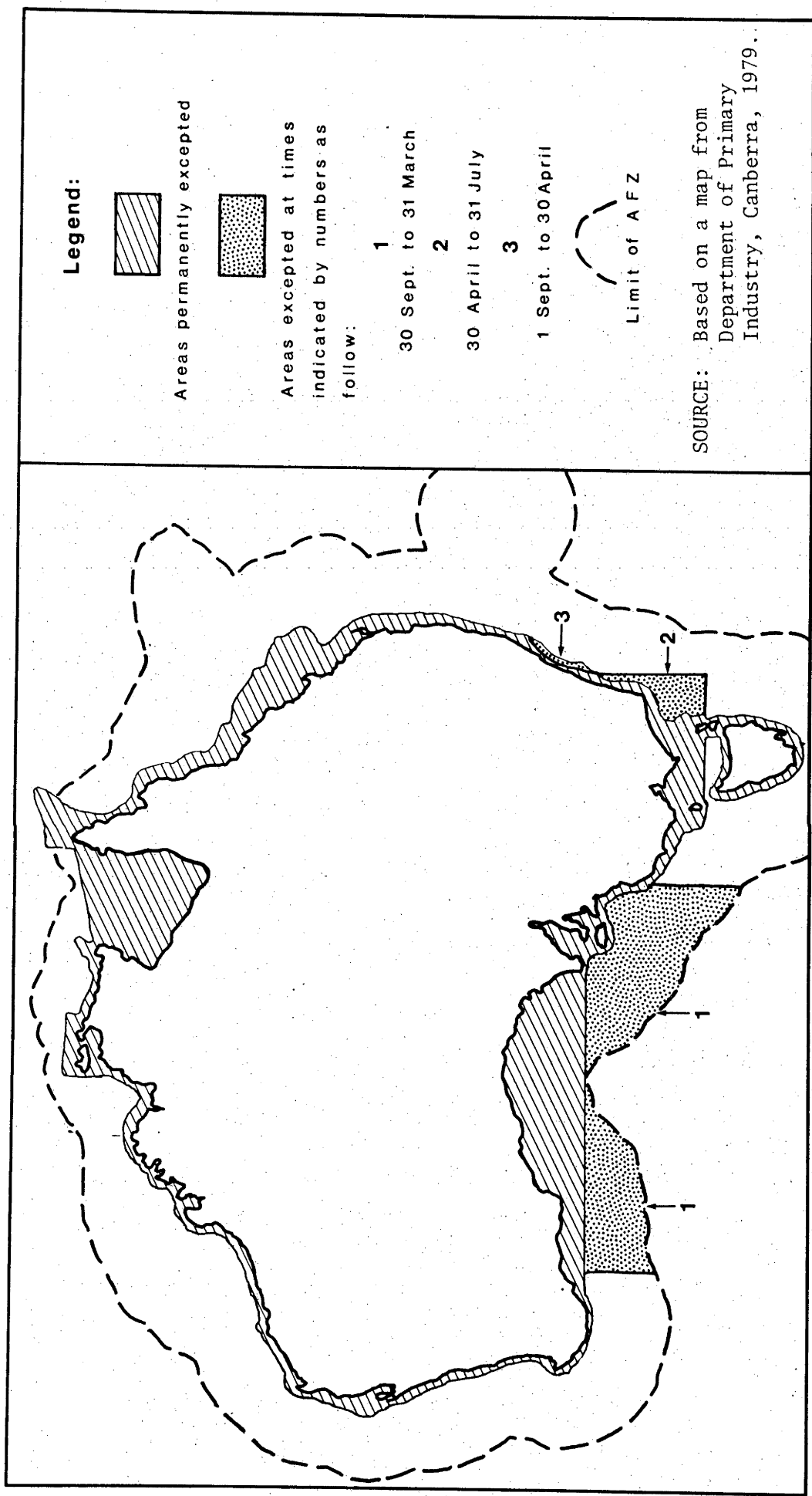


Fig.6 EXCEPTED AREAS AND TIMES FOR OPERATIONS OF JAPANESE TUNA LONGLINERS UNDER THE SUBSIDIARY AGREEMENT OF 17 OCTOBER 1979

The Minister for Primary Industry also made much of the fact that the Japanese Government had provided 'certain assurances on the question of access to the Japanese market for Australian fish and fish products.'<sup>1</sup> In an exchange of letters attached to the Agreement, Ambassador Okawara had confirmed that it was the understanding of the Japanese Government that the two Governments

'shall amongst other things examine the possibility of further cooperation in the field of fisheries, including in particular ... the expansion of markets, including improved market access for fish and fish products originating in Australia.'

Further details of Japan's position on this subject were listed in the Record of Discussion connected with the Head Agreement. The Japanese Government stated that it was prepared to inform the Australian Government of the fish and fish product items subject to quotas under Japanese import regulations, and to hold consultations in respect of market access for fish either through diplomatic channels or on an ad-hoc basis. The Japanese also affirmed that

'where Australian fish and fish products are commercially competitive with the fish and fish products of other nations, market access is and will be available for such Australian fish and fish products under the Japanese import system.'

It will be argued later, however, that it is difficult to determine how the Australian Government could claim that these 'assurances' by Japan on the question of fish market access amounted to meaningful concessions. The Japanese Government had made no effort to remove the tariff and other barriers existing in their fish market; even less had they considered importing specific quantities of fish from Australia. At most one could describe Australia's gains in this area as very modest.

The analysis now turns to an examination of those other concessions unrelated to fisheries offered by Japan in exchange for access to the AFZ. It will be recalled that Australia had, very early in the negotiations with Japan, linked the question of fisheries access with progress on agricultural trade issues - particularly with respect to

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1. See Sinclair's statement to the House of Representatives, *Hansard*, 25 September, 1979, p.p.1463-6.

beef - within the context of the Multilateral Trade Negotiations. At first glance it would appear that Canberra's attempts at linkage diplomacy in this area had met with success. In April, 1979, following a round of trade negotiations with Australia, the Japanese Government announced that it expected imports of beef into their country to increase steadily until the end of the Japanese fiscal year 1982. By that time it was expected that the global import level would be at least 135,000 tonnes. The Japanese Government had also given assurances to cooperate in efforts to exploit the demand for high quality beef with a view to lifting global imports by 14,000 tonnes by FY 1983. Moreover, the Japanese agreed to the establishment of new intergovernmental consultative arrangements on beef with Australia.

Anthony announced that he viewed the settlement as one 'satisfactory' to Australia. He noted

'The proposed settlement contains guarantees as to the future import treatment applying to important Australian exports to Japan, particularly beef and a range of other foodstuffs and industrial items. The understanding on beef is of particular significance. Japan is Australia's second largest outlet for beef, but as the Australian beef industry knows, the trade has not been without its problems and interruptions have occurred to our detriment. It is my expectation that the settlement will put many of these problems behind us ... [and] will further add to the future security of Australia's beef industry.'<sup>1</sup>

Almost a year later - in February 1980 - Anthony noted with satisfaction the improvement in the beef trade with Japan. Japan had raised the total level of access for beef for FY 1979 to 134,500 tonnes - above the FY1982 target of 132,000 tonnes, and well above Japan's imports of 112,000 tonnes in 1978, and 95,200 tonnes in 1977. As Australia currently supplies about 77 per cent of Japanese imports, Australia's beef exports to Japan in FY 1979 were expected to reach a record 100,000 + tonnes. The Minister for Trade and Resources observed

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1. Quoted in 'Conclusion of Australia-Japan Multilateral Trade Negotiations' *Australian Foreign Affairs Record*, Vol.50, No.4, April, 1979, p.234.

'The level of imports by Japan this year is already evidence of the important role which this settlement [the MTN settlement which he concluded with Japan in early 1979] has played in achieving stability and predictability in the Japanese beef import regime.'<sup>1</sup>

It is difficult, however, to determine the degree to which Japanese concessions in the beef trade area resulted from Australian pressures in the fisheries negotiations of 1978-79. About this time, the Japanese Government was demonstrating greater concern for consumer interests in Japan. With the high cost of fish (as well as the changed dietary habits of the Japanese), Tokyo realised that future protein requirements would have to come increasingly from meat. As there was a limited capacity to meet the extra demand for meat through increased domestic production, there was bound to be an increase in Japan's meat imports. This was reflected in a policy statement released by the Ministry of Agriculture, Forestry and Fisheries in late 1979, where it was estimated that Japan's self-sufficiency ratio for beef would fall to 71 per cent by 1990 - down from 75 per cent in 1977 and about 80 per cent in 1975.<sup>2</sup>

It appeared, therefore, that at this time - in early 1979 - there were powerful domestic reasons why Japan should choose to increase its global imports of beef. Several interviewees suggested, however, that Japan's relatively accommodating attitude in the MTN discussions with Anthony in April, 1979, might have also been motivated by a desire to facilitate the successful conclusion of the fisheries negotiations in Canberra.<sup>3</sup>

It will further be recalled that Canberra's attempts at linkage diplomacy during the fisheries negotiations with Japan did not end with the MTN settlement of April, 1979. Throughout the negotiations the Australians had attempted to persuade Japan to agree that fishing

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1. J.D. Anthony quoted in 'Japanese Beef Import Quotas' *Commonwealth Record*, 25 February - 2 March, 1980, p.245.

2. See *Long-term Prospect Regarding Demand for, and Production of, Agricultural Products in 1990*, Ministry of Agriculture, Forestry and Fisheries, Tokyo, November, 1979, p.p.4-6.

3. As in most cases of linkage diplomacy, it is difficult to prove conclusively that concessions offered in one issue area were the result of pressures experienced in other issue areas.

rights were part of the overall bilateral economic relationship. The Japanese were determined not to give way on this issue, feeling they had made a serious mistake by allowing the inclusion of Article X (3) in the New Zealand/Japan Fisheries Agreement. After prolonged debate, a compromise was achieved. In an exchange of letters, the Japanese Ambassador confirmed that he 'comprehended' the position of the Australian Government whereby the latter, in the exercise of its sovereign rights under Article III of the Head Agreement, would 'take into consideration all relevant factors including Australian interests...'

It should be emphasised that this exchange of letters differed from that involving fish market access. With respect to the latter, the Japanese Government had confirmed that it *understood* the Australian position; whereas in the former the Japanese had *comprehended* the Australian position. The Japanese attached great importance to - what they believed to be - differences in meaning between these two words. It appears that the Japanese negotiators believed that use of the word 'understood' implied acceptance of the Australian position, while use of the word 'comprehended' merely suggested that Japan had taken note of the Australian position. It was argued by those Japanese interviewees who had been involved in the negotiations, that they viewed the statement that Australia would 'take into consideration all relevant factors including Australian interests' to be a *unilateral* declaration by Canberra. They strongly emphasised that the exchange of letters on this subject did not indicate Japanese acceptance of linkage, where fishing rights were seen as part of the overall bilateral economic relationship.

It seems, therefore, that Canberra's attempts at linkage diplomacy - where Australia's bargaining leverage over fishing access was used to extract concessions from Japan in areas unrelated to fisheries - had met with less than total success. This said, there was at least one set of gains (other than the license fees, which were to go into consolidated revenues) from the fisheries agreement which was likely to benefit interests outside the domestic fishing industry - namely, the income accruing to traders and local authorities in ports to which licensed Japanese vessels were granted entry rights.

The final paragraphs of this sub-section critically assess the gains made by Australia in its fisheries negotiations with Japan, 1978-79. Particular attention is drawn to the question whether Australia's attempts at linkage diplomacy during these negotiations

had a negative impact on the gains flowing to the domestic fishing industry.

It appears that the Australian commercial fishermen were generally agreed that their industry could have obtained much more from the Fisheries Agreement with Japan. Only one week after the Agreement was signed, Fred Connell (in his capacity as Federal President of AFIC) sent a telegram<sup>1</sup> to the Minister for Primary Industry where he stated

'I am writing at the direction of the Federal Executive to express AFIC's gross dissatisfaction with the Japanese-Australian Fishing Agreement and the Subsidiary Agreement. The Federal Executive considers that consultation between industry and Government has been completely inadequate despite the best efforts of AFIC, resulting in concessions to the Japanese which are totally unacceptable and against the best interests of the fishing industry.'<sup>2</sup>

Among the many complaints by fishermen,<sup>3</sup> three were particularly prominent. First, it was widely believed that the negotiated fee of \$1.4 million was totally inadequate in view of the value of the tuna taken by the Japanese longliners (worth some \$30 million in Japan). Dick Fowler (Chief General Manager of SAFCOL), for example, was quoted as saying that the Department of Primary Industry had 'gone beserk' and that Australia could have obtained 'perhaps five times that much in fees from the Japanese without being unreasonable.'<sup>4</sup> Second, it was noted that there was no clear-cut definition of rights of access for Australian fish and fish products to the Japanese market.<sup>5</sup> Third, the fishermen were bitterly critical of the fact

1. A summary of the telegram appears in the article 'AFIC Chief Blasts Government' *Professional Fisherman*, November, 1979, p.1.

2. See 'AFZ Entry Terms Storm "Taken to the Cleaners"' *Professional Fisherman*, November, 1979, p.1.

3. Among the other major objections by the fishermen were: the Agreement allowed not only longlining operations within the AFZ, but also permitted new fishing methods such as bottom handling and pole and line fishing by the Japanese; and the Japanese longliners were now allowed access into previously prohibited areas of Bass Strait.

4. *Ibid.*, p.1.

5. See Susan Woods 'Australia Loses Out on Japanese Market in New Fishing Treaty' *The Australian Financial Review*, 18 October, 1979.



that, 'despite repeatedly expressed objections by industry', Japanese longliners were permitted to continue taking Southern bluefin tuna within the AFZ to the 'detriment of the Australian tuna industry which is currently fully exploiting this resource'. The *Professional Fisherman* noted that, among the many fishermen who had contacted the journal since the Agreement with Japan was announced, there was a general consensus:

'that [the Agreement] was a sellout and the feeling of many fishermen ... is that the Government has made some sort of deal with the Japanese over beef exports in return for sacrificing the prices of and access to our fish.'<sup>1</sup>

In order to determine whether the fishermen's charges of a 'sellout' had any validity, two closely related questions must be answered: first, could Australia have reasonably been expected to gain greater concessions in the fisheries area from Japan than those actually obtained; and, second, is there any evidence to suggest that the Japanese fishermen had been given particularly generous treatment by Canberra? These questions will be addressed to the three major problem areas identified by the fishermen - that is, with respect to: licence fees, Japanese longliner access to the AFZ, and Australian fish access into the Japanese market.

It seems reasonable to argue that Australia *should* have obtained a larger licence fee than the \$1.4 million eventually extracted from Japan. Apparently the Australian Government had decided that the fees to be charged would be based on an assessment of likely catches by the 350 licensed Japanese tuna longliners, and the expected market price of these catches.<sup>2</sup> One may appreciate the difficulties faced by the negotiators in arriving at a final figure, for the value of the catch depended upon such uncertainties as the composition and quality of the fish caught and market conditions, and the volume of the catch which varied from year to year. The fee finally arrived at (\$1.4 million) was claimed by Canberra to 'compare favourably with fees collected by other countries with which Japan has negotiated

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1. 'AFZ Entry Terms Storm "Taken to the Cleaners"' *Professional Fisherman*, November, 1979, p.1.

2. See the statement by Senator Webster (the Minister representing the Minister for Primary Industry) in the Senate, *Hansard*, 23 November, 1979, p.3003.

similar agreements'.<sup>1</sup> However, if one divides the total fee by the number of licensed longliners (350), the fee per vessel amounted to \$4,000 - which was much less than the \$9,000 charged by New Zealand for each vessel licensed to catch Southern bluefin tuna in *its* zone. Moreover, as noted above, the value of the AFZ to Japanese longliners was much more than the worth of the fish contained within the zone. Free access to the ports of Brisbane, Sydney, Hobart, Fremantle and Albany made a vital difference to the economics of Japan's tuna fishing operations (worth at least \$150 million a year) in southern latitudes centred round Australia. However, even if one admits that the Australian Government had been overly generous in the licence fee area, it is difficult to see how this amounted to a 'sell-out' of the Australian fishing industry - for it appeared that the licence fees were not going to be used for the direct benefit of the fishing industry, but were to go into consolidated revenues.

It can also be argued that the Australian Government had been generous with respect to the areas within the AFZ made available to Japanese fishing activities. It will be recalled that the Tuna Boat Owners Association had called for a ban on all Japanese longlining within the zone south of the thirtieth parallel. (Their argument being that the Southern bluefin resources were already fully exploited, and that Australian fishermen were now planning to move into deeper water operations to harvest the more mature fish presently caught by the Japanese.) No such ban was introduced. In fact, Canberra had in the Agreement permitted access for Japanese vessels to previously prohibited areas in Bass Strait. Again, at the time of the signing of the Agreement, the Australian Government had rejected the demands of the Game Fishermen's Association to exclude Japanese tuna vessels from a wider zone off the Great Barrier Reef.<sup>2</sup>

It is less certain, however, that the Australian negotiators had been overly generous with respect to the fish market access issue.

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1. *Ibid.*, p.3003.

2. It should be noted, however, that Nixon (Minister for Primary Industry) had assured the game fishermen on the eve of signing the Subsidiary Agreement that the Government would study the question of excluding Japanese longliners from a broader zone. In fact, in June 1980 the Commonwealth Government announced that it would ban all Japanese longline fishing from an area of about 48,000 square miles additional to those areas off Queensland already prohibited under the Subsidiary Agreement. See 'Longlining Ban Off Northern Queensland' *Australian Fisheries*, July, 1980, p.8.

While it appears that officials from the Fisheries Division were not particularly anxious to pressure the Japanese on this issue (as noted above, they believed that Australia's current fish exports were not seriously affected by Japanese market restrictions), officials from the Department of Trade and Resources were. In fact, it was widely reported in the media (and by the interviewees) that argument over this issue between the Japanese and Australian sides accounted, in large part, for the prolonged nature of the negotiations. The Japanese argued that they could not (would not) meet all of Australia's demands in this area, and (as already described) in the end made only minor concessions.

There is, therefore, some evidence to suggest that Australia had in the negotiations been relatively generous towards Japan in certain areas connected with fisheries - particularly with respect to the level of licence fees, and with respect to the question of Japanese longliner access to various parts of the AFZ. It also appears that Australia's generosity in the fisheries area might have been prompted by a desire to extract concessions from Japan in areas unrelated to fisheries. It is debatable, however, whether Australia's 'generosity' to Japan amounted to a 'sell-out' of the domestic fishing industry. The license fees were, in any event, destined not for the fishing industry but for consolidated revenues. Neither did the Japanese tuna longliner access to southern areas of the AFZ necessarily pose a serious threat to the domestic Southern bluefin tuna industry. As the capacity of the local industry developed, Australia could - in future fisheries negotiations - demand reductions in the scale of Japanese fishing operations.<sup>1</sup>

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1. Indeed, at the time of writing (November 1980) the Subsidiary Agreement on Japanese Tuna Longlining had just been re-negotiated for the next 12 months period. It appears that in these negotiations the Australian side had taken a strong stance with respect to the continued presence of Japanese tuna longliners in the AFZ. Under this Agreement (initialled on 15 October 1980) the Japanese agreed to the closure of both the Great Barrier Reef region and areas off the Northern Territory. They also agreed to further permanent and seasonal closures in the area south of 30 S off the coasts of New South Wales, eastern Victoria and South Australia. Moreover, the Japanese agreed to pay an access fee of \$1.8 million - which represents an increase of 28.6 per cent on the former figure of \$1.4 million, despite the new closures which would reduce the Japanese potential catch in the AFZ by an estimated 20 per cent. See 'Japan-Australia: Subsidiary Agreement on Tuna Long-line Fishing' *Background*, No.257, Department of Foreign Affairs, 22 October, 1980.

#### IV. SUMMARY

The following paragraphs provide a summary of the principal features of the Australian case study. It should be noted that no attempt will be made here to compare Australia's experience in the area of fisheries access policy formulation and implementation with that of New Zealand. Such comparison is reserved for the final chapter of the thesis, where the major conclusions drawn from the two case studies are related to the broader theoretical question of linkage diplomacy under conditions of economic interdependence.

Section I of the case study, it will be recalled, involved identification and description of the major issue areas in the economic relationship between Australia and Japan and identification of the actors in Australia significantly involved in these issue areas.

It was noted that in the primary issue area - namely fisheries - Australia probably had a net potential bargaining leverage over Japan. While the fish resources contained within its offshore zone are likely to be modest by world standards, Australia's geographic location (especially in relation to the important Southern bluefin tuna fishing grounds) is highly valued by those Japanese longliners having access to Australian ports. Canberra's leverage in fisheries, however, is offset somewhat by Australia's dependence on Japan in such areas as: the provision of fisheries research data, technical assistance to the local fishing industry, and access to the Japanese market for Australia's fish exports. Those actors in Australia having greatest interest in the primary issue area include the 18,000 commercial fishermen, and the Commonwealth and State Departments (and Ministers) responsible for fisheries.

Sub-section Ib. was concerned with identifying the secondary issue area - namely, that issue (if any) which Australia was most likely to link to the primary issue area in the fisheries negotiations with Japan, 1978-79. Our choice fell on the problem of access onto the Japanese market for Australia's beef exports. There were several reasons why this issue area was chosen: first, it was (by 1978) one of the few remaining areas of significant friction in the bilateral economic relationship; second, Australia had once before (in 1976/77) linked the question of Japanese fishing access to the beef trade problem; and third, the Minister for Primary Industry had since that previous exercise of linkage diplomacy frequently warned of the

possibility of trade-offs involving Japanese access to Australia's impending 200-mile zone and the beef question. Those actors having greatest interest in the beef issue were Australia's 100,000 cattlemen, the Ministers for Primary Industry and for Trade and Resources (Sinclair and Anthony), and their respective Departments.

Sub-Section Ic. identified those other issues in the Australia-Japan relationship - and the actors in Australia significantly involved in them - not included in the primary and secondary issue areas. The diversified nature of Australia's trading relationship with Japan was there revealed. It was noted, for example, that in addition to a wide variety of agricultural items, Australia has (since the 1960s) been exporting to Japan a large range of minerals and energy commodities. Emphasis was also given to the vital importance of this trade to both economies. (It was, however, noted that Japan was more important to Australia as a trade partner than was Australia to Japan.) The sub-section concluded by identifying the very wide range of actors - both private and governmental - having a major interest in these 'other issue areas'.

Section II examined the process of policy formulation in Australia with respect to the establishment and implementation of a 200-nautical mile fishing zone. Emphasis was given to determining what each actor (or group of actors) identified in Section I hoped to gain from Australia's increased bargaining leverage over foreign fishing access. The commercial fishermen, it was discovered, were determined that the access 'lever' should be used to promote the interests of their industry by: reducing foreign (particularly Japanese) competition for certain fish stocks within the AFZ; opening up further the Japanese fish market to Australian fish exports; and promoting increased levels of fisheries research within the zone by DWFS. They were strongly opposed to any form of linkage, where fishing rights were to be traded off for concessions from foreign fishing countries in areas unrelated to fisheries. It appears that the bureaucrats with major responsibility for fisheries generally agreed with most of the fishermen's policy objectives. But it was noted that the Minister for Primary Industry, while publicly supportive of the fishermen, at the same time advocated linking fishing access with the beef trade issue in Australia's fisheries negotiations with Japan.

There were powerful political reasons for Sinclair's support

of linkage diplomacy in this area. He (like Doug Anthony) was a senior member of the National Country Party and was very sensitive to calls from the Australian beef producers to use the fisheries access 'weapon' to gain concessions from the Japanese with respect to beef.

Sub-Section IIc. identified the policy preferences of those actors in the 'other issue areas' category. Divisions were noted between those who favoured the use of linkage diplomacy in the upcoming fisheries negotiations with Japan, and those against. Evidence was presented suggesting that Prime Minister Fraser (along with his Departmental advisers) belonged to the former category. It appears that Andrew Peacock and his advisers in the Department of Foreign Affairs at most favoured only broad, non-specific linkages. The strongest public statements against the use of linkage diplomacy in Australia's negotiations with Japan came from the Ad Hoc Working Committee on Australia-Japan Relations, which numbered among its members representatives from the private sector - including mining interests. The Committee warned that by linking problems Australia ran the risk of a widening and escalation of a dispute, and increased the danger of retaliation by Japan in some other area.

In brief, the actors in the three different issue area categories had policy preferences concerning linkage diplomacy very much as predicted in the analytical framework: those in the primary issue area were strongly against linkages; those in the secondary issue were very much in favour; and those in the 'other issue areas' category were divided, but most had reservations about the wisdom of pursuing a linkage strategy against Japan.

Sub-section IIId. examined the decision-making machinery established in Australia to formulate policies with respect to the introduction and implementation of the AFZ, and with respect to the broader question of linkage diplomacy involving Australia's leverage over foreign fishing access. The Commonwealth Government had major responsibility for formulating policies related to fisheries management. The various State Governments and, to a lesser extent, the fishing industry were consulted by Canberra in the drafting of these policies. Decisions involving the broader ramifications of the Australian Fishing Zone were made at the highest levels of Government. Most of the policy initiatives concerning linkage diplomacy emanated from Cabinet.

Section II concluded by examining the various policy choices made by Canberra with respect to the establishment and use of a 200-mile zone. The decision to extend Australia's fisheries jurisdiction to 200 miles was announced by the Minister for Foreign Affairs in August, 1977. The Fisheries Amendment Bill 1978 was passed by both Houses and received Royal Assent a year later. Among other things, provisions were made under the Bill for the licensing of foreign vessels permitted to operate in the zone, with respect to access for these vessels to Australian ports, and with respect to the conditions under which these licences would be granted. It was expected that negotiations would commence with the DWFS concerning the terms and conditions of foreign access to the zone before the AFZ was established.

The Minister for Primary Industry assured the local fishermen that their interests would be both protected and promoted under the new jurisdiction. Sinclair noted that one of the Government's main objectives was to ensure Australian participation in development of the zone 'to the greatest possible extent'. In this connection, Canberra claimed that the fish resources which the Australian industry had the capacity to exploit fully 'would be set aside for the benefit of that industry'. Other assurances were given with respect to the policing and surveillance of the zone, and to the promotion of Australia's fish exports. There was, however, no evidence to suggest that the Government intended to act on the recommendations of the local fishing industry by: one, threatening that if Tokyo did not relax its restrictions on imports of Australian fish onto the Japanese market then Japanese fishing vessels would be denied access to the AFZ; or two, demanding that Japanese tuna longliners should no longer operate within the zone from the 30th parallel southward.

The Government had - since early 1978 - been publicly silent on the question of linkage diplomacy, where fishing rights were to be linked to other issue areas in the upcoming negotiations with Japan. But, with the advantage of hindsight, it is apparent that Canberra *had* decided to seek some concessions from Tokyo in the agricultural trade area in exchange for fisheries access. Once the negotiations got under way, it was revealed that the Australian Government had hoped to pressure the Japanese into: making concessions on the beef trade issue within the MTN, and to accept that fishing rights were part of the overall bilateral economic relationship. It was, however, also apparent that Canberra had decided not to push the linkage strategy against

Japan too forcefully. Reflecting the divisions of opinion among the various actors in Australia involved in the trade with Japan concerning the wisdom of linkage diplomacy, the Australian Government adopted a bargaining strategy quite different from that pursued in 1976/77. First, it was decided that Australia would seek a broader, less specific, package of concessions than it had obtained from Japan in the so-called 'fish-for-beef' trade-offs during the previous implementation of linkage diplomacy. Second, this time round the linkage diplomacy would be a relatively 'low profile' exercise with very few public statements on the subject by Ministers.

The final section of the case study - Section III - focussed on the implementation stage of the policy process following Australia's decision to establish a 200-nautical mile fishing zone and to enter into fisheries negotiations with the DWFS. Sub-section IIIa. examined the past record of bilateral negotiations between Australia and Japan in order to determine how these previous exchanges might have influenced the perceptions and tactics of each side in the present round of negotiations. It was noted, for example, that in 1976/77 Australia had demonstrated that it possessed the necessary political will, commitment and capacity to make a credible threat against Japan.

Sub-section IIIb. traced the course of the fisheries negotiations between Australia and Japan from October 1978 through to October 1979. Emphasis was there given to the various concessions that Australia sought to extract from Japan in exchange for fisheries access, and Japan's reaction to these proposals. The Australian negotiators tried, throughout the negotiations, to pressure the Japanese into signing an exchange of letters in which fishing rights were viewed as part of the overall bilateral economic relationship. The Japanese were determined not to give way on this issue. Considerable debate also centred round some of the concessions Australia sought in the narrow fisheries area - particularly with respect to licence fees and fish market access. Attention was drawn to the fact that it was officials from the Departments of Trade and Resources and Prime Minister and Cabinet who most urgently pushed for linkages, and officials from the Fisheries Division (DPI) who opposed trade-offs. While the negotiations attracted nothing like the public attention of the New Zealand - Japan fisheries negotiations, the Australian negotiators and their Cabinet masters were subjected to some outside criticism. It was noted, for example, that the commercial fishermen had voiced



their opposition to any sign of 'under the counter deals' involving trade-offs linking fishing rights with concessions in the beef trade area. There was also evidence to suggest that the Consultative Committee on Relations with Japan had warned Cabinet of the dangers attached to a linkage strategy against Japan.

The final sub-section examined the outcome of the Australia-Japan fisheries negotiations of 1978-79. The terms of both the Head Agreement and the Subsidiary Agreement were there explored. In brief, the Australian Government permitted the licensing of up to 350 Japanese tuna longliners within the AFZ for a fee of \$1.4 million. Further, the Japanese agreed to continue to provide technical assistance to the Australian fishing industry. Tokyo was, however, less forthcoming on the question of Australian fish exports onto the Japanese market. It was noted that the Australian commercial fishermen were bitterly critical of the terms of these Agreements, particularly with respect to: the level of licence fees, the fish market access issue, and the fact that Japanese tuna longliners were permitted to continue operating within the zone south of the 30th parallel.

Australia's attempts at linkage diplomacy during the negotiations appeared to have met with mixed success. It was possible that Japan's relatively conciliatory attitude towards the beef trade issue in trade negotiations with Australia in early 1979 was prompted by a desire to facilitate the successful conclusion of the fisheries negotiations with Australia. However, Japan strongly resisted any *public* recognition of the linkage between fishing rights and other issue areas. While the Japanese did agree to an exchange of letters in which the Australian Government claimed that it would 'in the exercise of its sovereign rights under Article III of the Head Agreement, take into account all relevant factors including Australian interests', they (the Japanese) argued that the Australian statement was nothing more than a unilateral declaration.

There is evidence to suggest that Australia had in the negotiations been relatively generous towards Japan in certain areas connected with fisheries - particularly with respect to the level of licence fees, and with respect to the question of Japanese longliner access to various parts of the AFZ. It is difficult to avoid the conclusion that Australia's generosity in the fisheries area was prompted by a desire to extract concessions from Japan in areas unrelated to fisheries. It was concluded, however, that it appears that these trade-offs did not have a particularly damaging impact on the domestic fishing industry.

## CONCLUSIONS

The thesis concludes by assessing what the two case studies examined above reveal about linkage diplomacy under conditions of economic interdependence. Comparisons across the case studies may help to determine the degree to which the decision to adopt linkage policies - namely, where a country uses its bargaining leverage in one area to extract concessions from another country in some other area - and the success of such policies, was influenced by the *complexity* of bilateral economic relationships. The chapter also examines: other conceivable explanations for the adoption of linkage diplomacy; possible limitations of (or necessary qualifications to) the working hypothesis; and suggested further areas for study in this field. Finally, the implications of linkage diplomacy for the future development and structure of the global, and more specifically the New Zealand and Australian, fishing industries are assessed.

It was noted in the case studies that both New Zealand *and* Australia adopted trade-off strategies when negotiating with Japan access to their 200-mile zones. There were, however, significant differences between the two countries both with respect to the kinds of concessions sought from Japan, and with respect to the ways in which the linkage diplomacy was put into practice. The following paragraphs demonstrate how New Zealand's exercise of linkage diplomacy was much more ambitious and forceful than Australia's.

Unlike Australia, New Zealand tried to use its bargaining leverage over fishing access to force a number of quite specific trade concessions from Japan. These were listed in the *aide memoire* handed over to Tokyo in July, 1977, and applied to three commodity groups - dairy products (butter and skim milk powder), beef, and sawn timber. (Later, a fourth group - fish products - was added to the list of demands by New Zealand.) Australia, by contrast, sought no specific concessions from Japan. Canberra's position in this area was similar to that adopted by Muldoon in early 1976, where fishing rights were to be seen as part of the overall bilateral economic relationship. Even with respect to the beef trade problem, Australia's demands in 1978-79 appeared to go no further than saying 'while Australia appreciates Japan's concern about fisheries access, Japan should also appreciate Australia's concern over beef access'.

New Zealand also took a much tougher line than Australia in the implementation of its linkage diplomacy. Prime Minister Muldoon

had warned Japan on a number of occasions (most notably at the PBEC luncheon in May, 1977) that Japanese fishermen would not be allowed into New Zealand's EEZ until Tokyo gave an assurance of regular access for New Zealand's farm products onto the Japanese market. Wellington insisted that New Zealand's trading problems with Japan had to be discussed *before* the question of fishing access was negotiated. New Zealand carried out its threat and, having obtained no agreement on agriculture trade, excluded Japanese fishermen from the EEZ on 1 April, 1978.

Australia's diplomatic approach was much more moderate. There were no clear threats to ban Japanese fishing vessels from the AFZ if Tokyo did not give way on agricultural commodity access; although it was suggested that some Australian officials had made certain 'vague hints' in this direction during the initial rounds of negotiations in late 1978. Neither did Canberra insist on settlement of the trading problems existing with Japan before fisheries matters were discussed. Both issues (fishing access and rural commodities' access) were, it seems, discussed at the same negotiating sessions.

Finally, New Zealand's linkage diplomacy was much more of a 'high profile' exercise than Australia's. Some of Muldoon's most extreme statements critical of Japan were made in very public forums, and were widely covered in the New Zealand (and Japanese) media. The Australian Government, on the other hand, made every effort to keep the debate on trade-offs involving the AFZ out of the public arena.

The central question, at least in the context of this thesis, is why did New Zealand adopt a much more ambitious and forceful form of linkage diplomacy towards Japan than Australia? In the search for an answer to this question, we might first consider applying the working hypothesis outlined in the Introduction - namely, the propensity to adopt linkage strategies involving trade-offs across issue areas is inversely related to the level of interdependence; where interdependence is measured in terms of the number and variety of issue areas and actors involved in the relationship.

The case studies revealed that New Zealand has a far less complex economic relationship with Japan than has Australia. In the trade area some 60 per cent of New Zealand's exports to Japan in 1977 were agricultural commodities. Of the top 16 items (measured in terms of value) exported that year, only four - unwrought aluminium, forest

products, iron ore and fish - came from outside the rural sector. Australia's trade with Japan, on the other hand, was much more varied. Not only did Australia sell most of the agricultural items also exported by New Zealand (including a few extra items such as sugar and certain cereal grains), but also sold a wide variety of other commodities such as: coking coal, iron ore, copper, lead, zinc, alumina, aluminium, gold, manganese, nickel and bauxite.

It will be recalled that the analytical framework suggested why opposition to linkage diplomacy is likely to be most pronounced in complex bilateral relationships. Before proceeding with the current analysis, it might be useful to repeat the argument presented in Part I of the thesis.

First considered was the case of a country having a very simple bilateral relationship with another State, involving only two significant issue areas. It was argued that if this country contemplated trade-offs across the two issue areas, one set of domestic actors having an interest in the issue being traded off would be opposed to the linkage concept, and the other set of actors standing to gain from the trade-off would be in favour.

Next considered was the case of a country having a much more complex bilateral relationship with another State, involving a large number of different issue areas. There would, in this case, be three separate categories of actors: one, those whose interests were being traded off in linkage diplomacy; two, those who stood to benefit from such trade-offs; and, three, those actors not identified with any of the issues involved in the initial linkage strategy. It was suggested that the latter group of actors (those in the so-called 'other issue areas' category) would most likely be opposed to the linkage concept. One may assume that they would recognise the potential dangers attached to linkages where, for example, the initial target country escalates the dispute by introducing countervailing linkages of its own. Such retaliation might involve issue areas in which these actors *are* involved. It was concluded that, in order to protect their interests, the 'other issue areas' actors will probably try to preserve the *status quo* existing in the overall bilateral relationship, and oppose from the outset the adoption of linkage diplomacy.

Returning to the current analysis, the question is did the actors in the New Zealand and Australian case studies react to linkage diplomacy in the manner predicted above?

For the most part, it appears that they did. In both countries the strongest support for linkages involving the 200-mile zone came from the farmers - actors in the secondary issue category, and who stood to benefit most from the proposed trade-offs. The most vocal opponents of linkages in this area in New Zealand and Australia were the commercial fishermen - actors from the primary issue area. (It was noted, however, that there were some exceptions: in each country the Minister responsible for fisheries<sup>1</sup> was generally supportive of trade-offs involving the zone, and some leading fisheries spokesmen in New Zealand gave qualified support to the 'Muldoon diplomacy'.) Concern about the linkage concept was also expressed in both countries by actors in the 'other issue areas' category. It is important, however, for our present enquiry to determine whether the opposition to linkage diplomacy by this third group of actors was more pronounced in Australia (which had a relatively complex economic relationship with Japan) than in New Zealand (which had a relatively simple economic relationship with Japan).

In the New Zealand case study it was demonstrated that the 'other issue areas' actors did not pose a serious threat to the adoption, or implementation, of a linkage strategy. First, they did not represent a very wide range of interests. They included the aluminium and iron ore exporters, businessmen involved in importing goods from Japan, and officials from the Ministry of Foreign Affairs and other Government Departments. Second, these actors did not have much political influence; certainly much less than those in the secondary issue area. Third, not all of these actors opposed the 'Muldoon diplomacy'. In fact the evidence suggests that only a minority of the Japan/New Zealand Businessmen's Association, together with a few diplomats, strongly objected to linking fisheries access with trade concessions from Japan.

The situation was, however, very different in Australia.

First, those actors in Australia in the 'other issue areas' category represented a large number of different interests. These included the exporters of iron ore, liquified petroleum gas, nickel, alumina, aluminium, zinc, lead, bauxite, uranium, coal, copper, gold, and manganese; as well as businessmen involved in importing from Japan, officials from various Commonwealth departments, and officials

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1. Each of whom had also responsibilities in the secondary issue area.

representing the various State Governments.

Second, these actors had considerably more political influence than their counterparts in New Zealand. (Although it seems that they probably had less influence than the farmers and other secondary issue area actors in Australia.) The mining industry, for example, was able to influence Government decision-making in important areas despite the fact that it constituted no significant voting bloc. (This had been recently demonstrated when the mining companies, in 1977/78, successfully forced the Fraser Government to back down on the introduction of a resource rent tax.)

Third, the 'other issue areas' actors in Australia - or some of them at least - had clearly warned the Prime Minister of the dangers associated with a linkage strategy against Japan. It will be recalled, for example, that the Ad Hoc Working Committee on Australia/Japan Relations (which counted among its members representatives from the mining industry) had submitted a Report to Prime Minister Fraser in September, 1977. The Report stressed that resources bargaining was 'particularly risky' in the Australia-Japan relationship, not least because 'retaliation by Japan in some other area is ... a very likely consequence'. On the specific subject of foreign fishing access into the proposed AFZ, the Committee had advised that Canberra should ensure 'all countries seeking access, including Japan, are treated in a way that can be justified as even-handed and non-discriminatory'. There is also evidence to suggest that similar warnings against the use of linkage diplomacy were made by a somewhat wider range of actors (again mostly from the 'other issue areas' category) within the Consultative Committee on Relations with Japan during the Australia-Japan fisheries negotiations of 1978-79.

It is difficult to determine with certainty the degree to which these 'other issue areas' actors had influenced the Australian Government's decision to adopt a relatively moderate form of linkage diplomacy towards Japan. Almost every Australian official interviewed by the author insisted that the bureaucrats and politicians in Canberra - including those favouring a trade-off strategy - were well aware that certain dangers attended resources bargaining; especially in cases where Australia has a complex economic relationship with a target country such as Japan. It is reasonable to assume that this awareness was not solely the result of the decision-makers' own independent analysis of the situation, but was also the result of pressures from

those actors most opposed to linkage diplomacy.

There are, however, other possible explanations why, on the one hand, Canberra chose to adopt a moderate form of linkage diplomacy towards Japan and, on the other, why Wellington embraced a more forceful and ambitious diplomatic strategy.

First, New Zealand's perception of the bargaining leverage it exercised over Japan with respect to the resources of the EEZ might have been greater than Australia's estimates of *its* leverage in this area. An objective assessment suggests that both New Zealand and Australia had approximately the same potential bargaining leverage over Japan in terms of the fish resources, and other qualities, of their 200-mile zones. While New Zealand probably has larger stocks of high quality fish available to the DWFS than has Australia, the latter country has the advantages of its geographic location astride the Southern bluefin tuna migration routes and as a convenient base for Southern Ocean fishing activities. It appears, however, that some New Zealanders (see sub-section IIIa. of the New Zealand case study) had an exaggerated sense of the value of New Zealand's fish resources to Japan, and believed that the Japanese who were being 'squeezed out' of some of the northern hemisphere fisheries could be forced into making 'panic' deals with southern hemisphere coastal states. Australia, by contrast, seems to have had a more realistic appreciation of the value of the AFZ and of the fish resources contained therein.

Second, New Zealand might have believed itself more vulnerable in the secondary issue area(s) than did Australia. A casual glance at the export statistics in agricultural commodities by these two countries to Japan suggests that New Zealand would have had little reason to believe itself any more vulnerable than Australia. For many farm products Australia was historically just as dependent on the Japanese market as New Zealand. However, the trading climate for some of the secondary issue area commodities had improved between 1977 (when Wellington commenced its fisheries and trade negotiations with Tokyo) and 1978 (when Canberra began *its* negotiations with Tokyo). For example, the global beef trade situation had improved sufficiently by mid-1978 that Australia's cattlemen no longer pressured the Australian Government to seek 'beef-for-trade' deals from Japan. It was suggested to the author by several officials in Canberra that, if the beef situation had been as serious in 1978 as it was in late 1976, (when Australia had engaged in 'fish-for-trade' deals) then the

Australian Government might well have adopted a tougher trade-off strategy against Japan.

A third possible explanation for New Zealand adopting a more forceful linkage diplomacy against Japan might be related to the fact that New Zealand's overall trading performance with Japan was worse than Australia's. For example, New Zealand's balance of trade with Japan had, in the four years preceding the negotiations of 1977-78, fallen from a slight surplus in 1973/74 to a substantial deficit in each of the succeeding years. Australia, however, had a much better trading record with Japan. Historically Australia has had a very favourable balance of trade with that country, and this continued to be the case in the years preceding the fisheries/trade negotiations of 1978/79.<sup>1</sup>

A fourth possible explanation relates to the respective levels of vulnerability dependence existing in the total two-way trading relationship between New Zealand and Japan on the one hand, and Australia and Japan on the other. The New Zealand/Japan case will be examined first.

It was widely recognised in New Zealand that Japan is far more important to the New Zealand economy, than is New Zealand to Japan. In FY1976-77, Japan was New Zealand's second largest export market (taking 11 per cent of total exports), and its third largest supplier (accounting for 13 per cent of total imports). That year, however, New Zealand supplied only one per cent of Japan's imports and ranked as Japan's 20th supplier; and as a market for Japanese exports New Zealand ranked only 30th taking 0.7 per cent of Japan's total exports. Given these respective trade flows, and allowing for the *types of goods* traded between the two countries, it is obviously far more difficult for New Zealand to find alternative market outlets and sources of supply than it is for Japan.

In the Australia/Japan case the situation was somewhat different. In 1978, Japan was Australia's largest export market (taking more than 30 per cent of total exports), and its second largest supplier (accounting for some 18 per cent of total imports). That year Australia ranked as Japan's third most important source of imports

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1. Australia's balance of trade with Japan in 1972/73 was a positive \$1,200 million. This surplus continued to rise until in 1977/78 it had reached \$1,766 million.



(supplying 6.7 per cent of Japan's total imports), and was Japan's ninth most important export customer (taking 2.8 per cent of Japan's total exports).

These crude statistics reveal that, while Japan is probably more important to Australia as a trading partner than is Australia to Japan, Australia is more important to Japan as a source of supply and as a customer for exports than is New Zealand. Moreover, when one examines the types of commodities exported by Australia to Japan and their importance to the Japanese economy,<sup>1</sup> it is recognised that the Australian/Japanese trading relationship is more nearly in a position of mutual dependence than is the New Zealand/Japanese relationship. In the overall trade area, therefore, it appears that New Zealand has less bargaining leverage over Japan than has Australia. This may help to explain why New Zealand was more inclined than Australia to use *whatever* bargaining leverage it possessed to resolve its economic problems with Japan.

Fifth, New Zealand might have felt forced to take very strong action because its overall economic situation had sharply worsened. It was noted in sub-section Ib. of the New Zealand case study how that country had suffered severely from the impact of the worldwide decline in economic activity following the Oil Crisis of 1973-74. The terms of trade had shifted against many of the products New Zealand exported, and there were signs of increasing agricultural protectionism in the industrialised countries. New Zealand's visible balance of trade, which was normally in surplus, registered a massive deficit of some \$1,140 million for the year ended June, 1975. For many New Zealanders, including some of the commercial fishermen, the economic situation was sufficiently desperate to justify Muldoon's diplomatic 'gamble' against Japan. Australia's overall economic position was not nearly so serious. While it, too, had a substantial export trade in agricultural products, it was fortunate in having a more highly diversified range of exports - including minerals. Australia's overall balance of trade continued to register a substantial surplus throughout the mid/late 1970s.<sup>2</sup> There are other possible explanations, - not directly

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1. See Ben Smith *op.cit.* and Peter Drysdale *Economic Interdependence with Japan: Issues and Policy Problems*, unpublished seminar paper, Department of Economics, The Australian National University, 4 November, 1975.

2. A senior official in Japan's Ministry of Agriculture, Forestry and Fisheries, who had been involved in the fisheries negotiations with both New Zealand and Australia, informed the author in late 1978 that his

related to economic leverage, sensitivity, vulnerability and dependency - why New Zealand chose to adopt a more ambitious and forceful form of linkage diplomacy than Australia.

The crucial role played by the New Zealand Prime Minister, Muldoon, in the formulation and implementation of his country's trade-off policies cannot be ignored. It was noted how Muldoon was determined to portray the image of a strong and resolute leader. The tough and aggressive policies he adopted against Japan appeared as an extension of his political performance and style in the domestic arena. But neither can the personality of the Australian Prime Minister, Fraser, be ignored. His strong dislike of Muldoon may account for the reason why he favoured some type of trade-off in the fisheries negotiations with Japan. It appears that he wanted to do at least as well in the upcoming negotiations with Japan as his trans-Tasman rival.

A seventh possible alternative explanation is related to the timing of the respective fisheries access negotiations in New Zealand and Australia. When, in 1977, Wellington was busy formulating its fisheries management policies and its broader diplomatic strategy towards Japan, the Japanese fishermen appeared particularly vulnerable to coastal state pressures. (Tokyo had just emerged from tough, and generally disappointing, fisheries access negotiations with the Soviet Union and the United States.) As noted above, the New Zealand Government calculated that the time was right to extract maximum concessions from Japan. However, a year later - when Australia was about to enter into fisheries negotiations with Japan - the Japanese appeared somewhat less vulnerable in the fisheries area. The Japanese fish market was then (mid/late 1978) in a position of over-supply; and the Japanese Government and fishing industry were developing a series of policy measures to adjust to the new era of 200-mile zones.

There was another aspect of the timing of the respective negotiations. Australia did not commence its fisheries access negotiations with Japan until after New Zealand had concluded its fisheries and trade agreements with Tokyo. The demonstration effect on Canberra

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Government had made allowances in the negotiations for the different economic situations existing in these two countries. He claimed that Tokyo had given New Zealand 'generous' treatment in the negotiations of 1978 in recognition of that country's serious economic difficulties. He also observed that Tokyo had been less prepared to be generous to Australia 'which was a lucky, minerals-rich, country'.

of the apparently limited success of the 'Muldoon diplomacy' must have influenced, to some degree, the Australian Government's decisions concerning linkage diplomacy.

There is yet another factor which may explain in part why Australia decided not to employ the tough linkage strategy towards Japan adopted by New Zealand. Unlike the latter - which is a unitary State - Australia has a federal system of government. It was noted in the Australian case study how the various states of Australia used their influence to protect their separate interests when fisheries management policies were being formulated. For example, Tasmania had repeatedly argued for a Japanese fishing presence in the AFZ which would permit Japanese vessels continued use of the port of Hobart.

In summary, the New Zealand and Australian case studies suggest that there is a wide range of possible explanations why one country is more likely than another to adopt an ambitious and forceful form of linkage diplomacy under conditions of economic interdependence. Further, the evidence implies that one of these possible explanations concerns the number of issues and actors involved in a bilateral economic relationship.

This thesis has chosen to focus more on the policy formulation stage of the diplomatic process - explaining why States adopt linkage strategies - rather than on policy implementation. However, it appears from the case studies that, just as the number of issues and actors involved in bilateral economic relationships may affect a State's decision to *adopt* (or reject) linkage diplomacy, so also may it affect the successful *implementation* of a trade-off strategy. In the New Zealand example it was noted how a number of 'other issue areas' actors (members of the Japan/New Zealand Businessmen's Association) had, during the course of the negotiations with Japan, apparently become aware of the dangers attached to the 'Muldoon diplomacy'. It seems that sometime in early 1978 they warned the Prime Minister of these dangers. It is possible that their meeting with Muldoon was one element in the Prime Minister's decision to moderate somewhat his diplomatic approach towards Japan in April/May that year. The argument can, therefore, be made that they contributed to the 'success' of New Zealand's trade-off strategy; for if Muldoon had not adopted a slightly more conciliatory attitude it is possible that the negotiating deadlock with Japan would not have been broken.

Likewise, in the Australian case study, the 'other issue areas' actors might well have contributed to the 'successful' conclusion of the fisheries (cum trade) negotiations of 1978-79. It was noted how the Consultative Committee on Relations with Japan, or at least some members of this Committee opposed to 'fish-for-beef' trade-offs, had warned the Government of the risks attached to linkage diplomacy. It is likely that their advice had served as an extra check on Canberra from seeking larger - and, perhaps, unattainable - concessions from Tokyo.

At this point, a broader consideration of the approach adopted in the thesis is in order. This will involve a critical analysis of the working hypothesis, drawing attention to its possible limitations. Suggestions are also given for further research in the field of linkage diplomacy.

The first question that will be asked is how widely may the working hypothesis be applied and validated?

The thesis has chosen to focus on two countries having similar domestic policy networks linking State and society. Both New Zealand and Australia occupy almost the same point on the political spectrum; neither being authoritarian States characterised by highly centralised policy networks and strong public bureaucracies as found commonly in the Second and Third Worlds, nor having the extreme form of pluralist society characterised by decentralised policy networks and strong private bureaucracies found in the United States. New Zealand and Australia do, however, more closely resemble the American model - having a relatively 'weak State' and a 'strong society' (using Katzenstein's terminology).

The question is will the working hypothesis be validated when applied to States at the authoritarian end of the political spectrum? It might be argued that the stronger the State the greater the chance of trade-offs, for private actors will have little or no opportunity to influence policy choices and governments will then be free to make 'rational' decisions concerning linkage diplomacy. But it was suggested in the analytical framework that the strength-of-State factor need not necessarily undermine the working hypothesis. Even very authoritarian States will probably have various sets of actors possessing a vested interest in each of the issue areas existing with other States. It may be expected that within each set of actors there will be some individuals - including, perhaps, members of the ruling élite -

in positions of power and authority. These actors will not wish to see their interests directly traded off or indirectly threatened through the 'spillover' (or 'chain reaction') effects of linkage diplomacy, and will most probably use their influence to prevent the use of this form of bargaining strategy. Again it might be discovered that the greater the number and variety of issues and actors involved in bilateral economic relationships, the greater the opposition to linkage diplomacy. This could prove a useful area for further research. Comparisons might be made, for example, between a 'weak' State and a 'strong' State each having similarly complex bilateral economic relations with a third State; or between two 'strong' States having very different respective degrees of complexity in their bilateral economic relations with a third State.

The case studies revealed another area where the working hypothesis might have to be qualified. This concerns the nature of the relationship between private actors and the government in States contemplating linkage diplomacy. There may be occasions when private actors normally expected to oppose linkage diplomacy are constrained from doing so because of their dependence on the government in some way. It was noted in the New Zealand case study, for example, that even if the private exporters of iron ore had been concerned about the possibility of the 'Muldoon diplomacy' damaging their trade with Japan it would have been difficult for them to voice such concern - for they were vitally dependent on the good-will of the Government for the continued extension of their export licences.

Further research in the field of linkage diplomacy might also focus on the roles and attitudes of multinational corporations (MNC) to trade-off strategies. The foreign-owned corporation is likely to be placed in a very delicate situation if the host government threatens to engage in this form of diplomacy. On the one hand, it (the MNC) might feel the need to protect its interests if there were dangers of a widening trade war with the target country; yet, on the other, it might feel constrained from interfering in the broader foreign economic affairs of the host nation. This problem is likely to be particularly acute for foreign corporations whose head offices are located in the target country.

Another area suggested for further research relates to the ways in which countries contemplating, or practising, linkage diplomacy assess the potential benefits and costs associated with trade-offs

across different issue areas. In neither the New Zealand nor the Australian case study does it appear that the decision-makers had carefully calculated the potential net economic (as well as social, and political) advantages or disadvantages attached to linkage diplomacy. The analyst might determine how the technical difficulty of measuring gains and losses across very different issues in bargaining lead countries either to reject linkage diplomacy altogether, or to seek concessions from the target country not commensurate with their bargaining leverage in the primary issue area.

The thesis has chosen to focus on the problem of linkage diplomacy largely from the viewpoint of countries which first initiate this form of diplomacy. This study might usefully be complemented by examining linkage diplomacy from the perspective of the *target* country. In the present case, the different ways in which Tokyo responded to the trade-off strategies adopted respectively by Wellington and Canberra might be critically analysed.

It is also suggested that the working hypothesis can be applied to other forms of linkage diplomacy - namely those not narrowly confined to bilateral economic interdependent relationships. One might consider, for example, using the working hypothesis in studies involving trade-offs across security and economic issue areas (what are commonly termed exercises in 'resources diplomacy'); or, perhaps, to studies involving *multilateral* economic relationships.

There is one aspect of the New Zealand and Australian case studies which might, after further empirical work in this area, prove to be a common or essential feature of linkage diplomacy. This relates to the secrecy attached to the bargaining process and, most particularly, to the terms of the negotiated outcome. It is argued that such secrecy should not be unexpected, for governments involved in bargaining across different issue areas will probably not wish to alienate various domestic actors whose interests are being traded off by revealing this fact publicly.

These, and other possible, areas of research should contribute further to our understanding of linkage diplomacy. More broadly, however, studies in this field may alert the student of international politics (and economics) to the broader dimensions and implications of interdependence. This thesis has, for example, suggested that in addition to measuring interdependence in terms of the volume of transactions

between societies, or in terms of the sensitivity or vulnerability of States to costly external effects, interdependence may also be measured in terms of the number and variety of issue areas and actors involved in inter-State relationships. Further, a deeper knowledge of linkage diplomacy may help to determine whether or not high levels of interdependence in the international system provokes crises among States.

The study of linkage diplomacy may also contribute to our knowledge of the foreign policy process; particularly with regard to the respective roles of private interest groups, the bureaucracy, and politicians in the formulation and implementation of foreign policies. The case studies revealed, for example, the special problems experienced by government ministers - such as a Minister for Agriculture and Fisheries - having responsibilities in more than one broad economic issue area.

The thesis concludes by briefly considering the practical implications of linkage diplomacy for the future development and structure of the fishing industries of New Zealand and Australia and, more broadly, that of the world.

In both case studies it was concluded that neither the New Zealand nor the Australian fishing industries will necessarily suffer any lasting damage from the trade-offs negotiated in the fisheries agreements with Japan. The New Zealand-Japan Fisheries Agreement of September, 1978, and the Australia-Japan Fisheries Agreement of October, 1979, are only the first of a series of agreements that will be concluded covering Japanese fishing access to the 200-mile zones of these two countries. When these agreements are re-negotiated, and when Wellington and Canberra announce the annual fishing quotas for foreign fishermen, opportunities will arise to negotiate better terms from Tokyo in such areas as: improved market access for fish exports, increased domestic processing of fish caught within the zone, the training of local fishermen, and other areas that were not fully promoted in the initial access agreements.

Of course, much depends on how the New Zealand and Australian Governments intend to use their bargaining leverage over foreign fishing access. Should they continue to link fishing access with broader economic issues in their relations with Japan (and/or with other DWFS), then the local fishing industries might never attain their maximum potential. Much also depends on the attitude of the foreign fishing States. The precedent of linkage diplomacy has now

been set. There is always the risk that the DWFS might initiate linkages of their own, where they tell New Zealand and Australia 'Give us favoured fishing access, or we will not buy your agricultural or other exports'.

It is suggested, however, that the fishing industries of New Zealand and Australia may be able to do something to reduce the likelihood of further trade-offs between fisheries and broader economic issues. They might, for example, adopt a more positive attitude towards joint fishing ventures with foreign fishermen. The argument follows: the larger the number of joint ventures, the smaller the amount of surplus fish available for *licensed* foreign fishing vessels; and the smaller the amount of licensed foreign fishing participation in the zone, the less scope there is for linkage diplomacy. It may be noted that there is diminished risk of trade-offs with joint ventures, as the terms of operation for these enterprises are usually negotiated between the government of the host country and private foreign fishing companies. The latter will rarely be able to offer concessions to the coastal state in areas outside fisheries. Also the New Zealand and Australian fishermen might consider further lobbying for Ministers of Fisheries who have no responsibilities outside fisheries - particularly in the agricultural area.

At this early stage it is difficult to predict how the widespread establishment of 200-mile fishing (or exclusive economic) zones will affect the future development and structure of the global fishing industry. However, the New Zealand and Australian examples suggest that there is unlikely to be a sudden and dramatic increase in coastal state fishing activity at the expense of the DWFS. First, many of the coastal states have relatively backward fishing industries and will, for some time, be dependent on assistance from the DWFS for the development of their fishing capability. Second, there is also the possibility that the growth of coastal state fisheries will be inhibited by further exercises of linkage diplomacy elsewhere in the world. Such trade-offs may follow the New Zealand and Australian examples, and be initiated by coastal states seeking broader economic (or political) concessions from the DWFS. But the initiative could come from the DWFS. The latter - some of which, like Japan, are advanced industrialised countries - may use their overall economic (and/or political) leverage to obtain privileged access to coastal state zones.



## LIST OF PERSONS INTERVIEWED

Listed below are those persons interviewed by the author over the period 1977 to 1980. The list is divided into four sections according to the nationality of the person, and/or the Government for which he/she works. (In the 'others' category a number of Australian, New Zealand, and American expatriates were employed by various South Pacific island governments.)

1. New Zealanders
2. Australians
3. Japanese
4. Others

It should be noted that this list does not include a number of minor government officials and fishermen - New Zealanders, Australians, Japanese, and others - interviewed by the author, nor a number of Japanese officials (from the Ministry of Foreign Affairs, the Fisheries Agency and elsewhere) who appeared reluctant to be listed.

Each entry gives the interviewee's name, his/her position *at the time of the interview*, the government department or company for which he/she works, the place at which the interview took place, and the month and year of the interview. It should also be noted that some of those listed were interviewed on a number of occasions by the author.

### 1. NEW ZEALANDERS

Armstrong, W.M.V., First Secretary, New Zealand Embassy, Tokyo, October 1978.

Ashenden, Philip, marketing consultant, Ashenden Associates, Canberra - May 1978, and Wellington - July and August 1978.

Blackstone, D.J., Second Secretary, Asian Affairs Division, Ministry of Foreign Affairs, Wellington, July 1978.

Brittenden, Wayne, Far Eastern correspondent, New Zealand Broadcasting Commission, Tokyo, Japan, October 1978.

Burns, J., Press Secretary to J.B. Bolger (Minister of Fisheries), Wellington, July 1978.

Campbell, J.S., fisheries consultant, (ex-General Manager of the Fishing Industry Board), Wellington, August 1977 and August 1978.

Cooper, R., Senior Fisheries Management Officer, Fisheries Management Division, Ministry of Agriculture and Fisheries, Wellington, August 1978.

Cotton, P.C., Head of South Pacific Division, Ministry of Foreign Affairs, Wellington, August 1978.

Eide, E.S., Commander RNZN, Deputy Director Policy, Defence Department, Wellington, August 1977.

Francis, Bob, Fisheries Biologist, Fisheries Research Division, Ministry of Agriculture and Fisheries, Wellington August 1978.

Grant, R.S., Assistant Head, Economic Division, Ministry of Foreign Affairs, Wellington, September 1977.

Hamilton, Ian, Secretary, New Zealand Seafood Processors Inc., Wellington, August 1978.

Hayden, T.H., Assistant Advisory Officer, Trade Policy Division, Department of Trade and Industry, Wellington, July 1978 and August 1978.

Hinds, V.T., Assistant Director, Fisheries Management Division, Ministry of Agriculture and Fisheries, Wellington, August 1978.

Insall, Rodney L., Third Secretary, Legal Division, Ministry of Foreign Affairs, Wellington, August 1978.

Jarman, Nick, General Manager, Fishing Industry Board, Wellington, July 1978.

Kennedy, I.F., Second Secretary, New Zealand Embassy, Tokyo, Japan, October 1978.

Lineham, B.T., Assistant Head, Asian Division, Ministry of Foreign Affairs, Wellington, August 1978.

Mansfield, M., High Commissioner, New Zealand High Commission, Port Moresby, Papua New Guinea, August 1978.

Middleton, B.W., Assistant Head of Asian Division, later Assistant Head of South Pacific Division, Ministry of Foreign Affairs, Wellington, September 1977 and August 1978.

Miller, R.M., Ambassador, New Zealand Embassy, Tokyo, October 1978.

Price, M.R., Second Secretary, Australia and Americas Division, Ministry of Foreign Affairs, Wellington, July 1978.

Rowe, D.J., First Secretary, New Zealand High Commission, Suva, Fiji, August 1978.

Stevens, Peter, Wellington representative of New Zealand Federation of Commercial Fishermen, Wellington, August 1978.

Thompson, D.E., Advisory Officer, Trade Policy Division, Department of Trade and Industry, Wellington, July 1978.

## 2. AUSTRALIANS

Broinowski, R.P., Executive Director, Japan Secretariat, Canberra, July 1980.

Cameron, Baden, Executive Officer, Australian National Cattlemen's Council, Canberra, November 1977 and July 1980.

Campbell, John, OECD/EEC/Energy Branch, Economic Division, Ministry of Foreign Affairs, Canberra, August 1980.

Connell, Fred, President, Australian Fishing Industry Council, Canberra, March 1980 and August 1980.

Craft, Hugh Deputy High Commissioner, Australian High Commission, Suva, Fiji, August 1978.

Eyres, John, Senior Finance Officer, Overseas Economic Relations Division, Treasury Department, Canberra, July 1980.

Hayman, Alan, Assistant Secretary, Meat and Meat Products Division, Department of Primary Industry, Canberra, November 1977.

- Jenkins, Peter, Trade Commissioner, Australian Embassy, Tokyo, October 1978.
- Lilburn, Bruce, Assistant Secretary, External Relations and Policy Branch, Fisheries Division, Department of Primary Industry, Canberra, September 1979 and July 1980.
- MacIntosh, Ian, Far Eastern correspondent, Australian Broadcasting Commission, Tokyo, October 1978.
- McKay, D.H., former Secretary, Department of Primary Industry, Canberra, July 1980.
- Mackay-Sim, Rob, Department of Transport, Canberra, July 1980.
- Martin, Barry, Senior Advisor to Deputy Leader of Opposition in House of Representatives, Canberra, July 1980.
- Muir, Errol, Principal Executive Officer, Grains/Wheat/Wool Branch, Department of Overseas Trade, Canberra, November 1977.
- Nolan, Perry, Legal Division, Ministry of Foreign Affairs, Canberra, June 1978.
- Pownall, Peter, Editor of *Australian Fisheries*, Fisheries Division, Department of Primary Industry, Canberra, December 1978 and January 1980.
- Rowe, Alan, Principal Executive Officer, External Relations, Fisheries Division, Department of Primary Industry, Canberra, November 1977.
- Ryan, Pat, Assistant Secretary, Policy, Fisheries Division, Department of Primary Industry, Canberra, November 1977.
- Saxon, Eric, former Japan Economic Analyst, Bureau of Agricultural Economics, Department of Trade and Industry, Canberra, August 1980.
- Stanford, Peter, Maritime Resources Section, Ministry of Foreign Affairs, Canberra, July 1980.
- Sturman, Miles, Principal Executive Officer, Multilateral Fisheries Relations, Fisheries Division, Department of Primary Industry, Canberra, July 1980.
- Sullivan, John, First Secretary, Australian High Commission, Port Moresby, Papua New Guinea, September 1978.
- Wood, G.S.R., Assistant Secretary, Department of the Special Trade Representative, Canberra, June 1980.

### 3. JAPANESE

- Hamada, Koichi, Counsellor, Japanese Embassy, Canberra, January 1980.
- Ishida, S., Deputy Director, International Fisheries Division, Fisheries Agency, Ministry of Agriculture, Forestry and Fisheries, Tokyo, October 1978.
- Isozaki, H., Research Fellow (International Law), Tokyo Metropolitan University - Tokyo, Canberra, May 1978.
- Iwama, T., Doctoral student (International Law), Hitotsubashi University - Tokyo, Canberra, May 1978.
- Kanai, Toshio, First Secretary, Japanese Embassy, Wellington, September 1977.
- Morisawa, M., Chairman, Fishermen's Mutual Relief Fund, Tokyo, October 1978.

Nakamura, S., Deputy Director, Oceania Division, Ministry of Foreign Affairs, Tokyo, October 1978.

Yonezawa, K., Counsellor, Oceanic Fisheries Department, Fisheries Agency, Ministry of Agriculture, Forestry and Fisheries, Tokyo, October 1978.

Yoshimura, Toshio, journalist, Oriental Press Service Ltd., Tokyo, October 1978.

#### 4. OTHERS

Chow, Robin, Assistant Secretary, Department of Primary Industry, Port Moresby, August 1978.

Dabb, Geoff, Assistant Secretary (International), Department of Law, Port Moresby, September 1978.

Fakahau, Semisi, Acting Chief Fisheries Officer, Nuku'alofa, Tonga, August 1977.

Farapo, Tony, Ambassador, Embassy of Papua New Guinea, Tokyo, October 1978.

Field, Mike, Press Secretary to Prime Minister, Apia, Western Samoa, August 1977.

Goggan, Terry, Assistant Secretary of Foreign Affairs, Apia, Western Samoa, August 1977.

Kearney, Bob, Skipjack Programme Coordinator, South Pacific Commission, Noumea, New Caledonia, August 1978.

Kotobalavu, Jioji, Secretary, Department of Foreign Affairs, Suva, Fiji, August 1978.

Lavender, Pat, Principal Legal Officer, International Branch, Department of Law, Port Moresby, September 1978.

Marsden, Rosalind, Second Secretary, British Embassy, Tokyo, October 1978.

Philip, Alphonso L., Chief Fisheries Officer, Apia, Western Samoa, August 1977.

Shaw, Barry, First Assistant Secretary, Advisory and Policy, Department of Primary Industry, Port Moresby, August 1978.

Simms, Rod, Assistant Secretary, General Financial Policy Division, Department of Finance, Port Moresby, September 1978.

Slade, Narone, Attorney General, Apia, Western Samoa, August 1977.

Sperling, Harry, Fisheries Advisor, United Nations Development Project, Suva, Fiji, August 1978.

Thomas, Davidson, Fisheries Advisor, United Nations Development Project, Nuku'alofa, Tonga, August 1977.

Tabogani, Mary, Department of Foreign Affairs and Trade, Port Moresby, August 1978.

Tufui, Taniela, Secretary to Government, Nuku'alofa, Tonga, August 1977.

Vala, Araha, Deputy Director, Fisheries Division, Department of Primary Industry, Port Moresby, September 1978.

Wilkinson, Alan, Assistant Secretary, Aid and Development Assistance Section, Trade and Economic Relations Division, Department of Foreign Affairs and Trade, Port Moresby, September 1978.

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The following bibliography includes only those books, monographs, articles in journals and newspapers, government documents, official public statements, and other items to which specific reference has been made in the thesis. For the reader's convenience, the bibliography has been divided under seven subject headings.

1. Interdependence
2. Foreign Policy Formulation and Implementation
3. Global Fisheries and Fisheries Management
4. Law of the Sea
5. Japan and the Era of 200-mile Zones
6. New Zealand's Fisheries/Trade Negotiations with Japan
7. Australia's Fisheries/Trade Negotiations with Japan

The items listed under the seven subject headings correspond, for the most part, with the works referred to respectively in: the Introduction; the Analytical Framework; Part II, the Global Fishing Industry; Part II, Recent Developments in the Law of the Sea; the remainder of Part II, referring to Japan's sensitivity and likely vulnerability to extended fishing zones; the New Zealand case study; and the Australian case study. However, some works which appear elsewhere in the thesis are here listed under their appropriate subject headings. Given the much larger number and wider range of works referred to under the New Zealand and Australian headings, sections 6 and 7 have been subdivided according to the type of material listed. It will also be noted that the very large number of anonymously sourced articles in journals and newspapers which were fully referenced in the thesis are referred to in the bibliography only by the title of the journal or newspaper concerned.

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